

**HEARING ON THE BALKANS:
WHAT ARE U.S. INTERESTS AND THE GOALS
OF U.S. ENGAGEMENT?**

**HEARING
BEFORE THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES**

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HEARING ON THE BALKANS: WHAT ARE U.S. INTERESTS AND THE GOALS OF U.S. ENGAGEMENT?

Wednesday, August 4, 1999

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C.

The Committee met, pursuant to call, at 10 a.m., in room 2172 Rayburn House Office Building, Hon. Benjamin A. Gilman (Chairman of the Committee) presiding.

Chairman GILMAN. The Committee will come to order. This morning's hearing will help our Committee and its Members to better understand what America's future role will be in the Balkans.

As the United States enters its second peacekeeping mission in the Balkans, with no end to those peacekeeping commitments yet in sight, that question is going to have to be addressed. Just last week, the President participated in a summit meeting on the region to show American commitment to a regional assistance initiative for Southeast Europe. We need to understand what that new commitment will entail.

Let me quote an editorial about the meeting from yesterday's *Washington Post*: "Mr. Clinton came to the conference armed with some concrete promises. The Europeans who have promised to take the lead in Balkan reconstruction offered no such specifics. If the Stability Pact is to have any meaning, Europe will have to ante up and do it soon."

Since the end of the cold war, our Nation has provided roughly \$7 billion in foreign aid and debt forgiveness to the 15 states of Eastern Europe, plus another \$14 billion or more to the 12 states of the former Soviet Union. That figure does not include the billions of dollars in peacekeeping costs that our Nation has incurred and will now continue to incur in the Balkans. But when we add in these costs, we realize that we will soon reach and rapidly surpass an expenditure of \$20 billion in aid and military costs in Eastern Europe alone, plus another \$15 billion in the former Soviet Union.

The point I am making is that America has done and is doing its share. Announcements of new American aid for the states of Southeastern Europe are in fact now made on an almost weekly basis. We must keep that in mind.

I expect that our official witnesses today will give us a good estimate of what our Nation will commit to spend as a participant in the new Southeastern Europe Regional Assistance Initiative to

which the President has pledged our support. News reports place the cost of the entire Southeastern European Assistance Initiative at \$30 billion over a 5-year period. If our Nation were to finance only 20 percent of that total, it would equal \$1.2 billion in U.S. aid alone for that region each year.

I intend to join with my colleagues from New Jersey and elsewhere, Congressman Smith in particular, in introducing a bill that would authorize assistance specifically for the countries of Southeastern Europe, but that would lay out two important guidelines for our foreign aid to that region.

First, a special authorization would be provided for funding to help the democratic opposition in Serbia. It is apparent that without democracy in Serbia there will be no stability in the Balkans.

Second, that measure will underline the point that the European Union will have to take the lead in financing the regional assistance initiative by placing a cap on the U.S. financial participation in such an initiative. Democratization in Serbia and the European Union's lead on aid to Southeast Europe are both things that the President and officials of his Administration have said they fully support. I hope such legislation will have the President's support as well.

We have a good roster of witnesses today to help us begin our review of our role in the Balkans. Our witnesses on behalf of the Administration include Mr. Anthony Wayne, Principal Deputy Assistant Secretary of State for Europe; Ambassador Larry Napper, State Department Coordinator for Assistance in Eastern Europe; and Ambassador James Pardew, Principal Deputy Special Advisor to the President and Secretary of State for Kosovo and the Dayton Accords Implementation.

Our second panel will include Janusz Bugajski, Director of East European Studies at the Center for Strategic and International Studies; Professor Janine Wedel, Associate Professor at George Washington University; and Dr. Dan Serwer, Director of the Balkans Initiative, at the United States Institute for Peace.

Before we begin with our first panel, let me ask our Ranking Minority Member, Mr. Gejdenson, if he would care to make any opening remarks.

Mr. GEJDENSON. Thank you. I just want to say that I generally agree with the Chairman's approach. I think that the United States, because of the assets that we have and the systems that were in place, played the leading role in the conflict. We expended the most significant portion of the cost of the war, and I do think the Europeans have to ante up, as will others in the world.

We have, time and time again, taken the responsibility as the world leader. We like leading the world. We are ready to pay the price for that, but we don't want to end up being the sole economic supporter of these recoveries. I think it is clear that in putting together strategies in this region, we need strategies based on regional solutions, not country by country. Trying to do economic development in this region is almost, I believe, impossible if we take a nation-by-nation approach.

When you look at the populations in these countries, you find that they are in the millions, not in the tens of millions. Occasionally you have a country that has a population of 10 million.

I am going to look at my notes here.

Kosovo has 2 million. What's left of Yugoslavia has about 11 million. Montenegro has just under 700,000; Bosnia, 3 million; Macedonia, 2 million; even Bulgaria, 8 million; Romania, 22 million; Slovenia almost 2 million.

We need to have a policy that starts forcing the region to work together economically. There is nothing that binds the peace process like an economic relationship, and I know that in some ways the most difficult challenges are ahead. A military victory is a concrete and rather simple goal. To make sure that we are not in this situation 10 or 50 years from now, we really need to promote economic development in the region.

I commend the Chairman for holding this hearing.

Chairman GILMAN. Thank you, Mr. Gejdenson.

Chairman GILMAN. Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman.

Mr. Chairman, I believe that the issues we are addressing in our hearing today are of critical importance.

Obviously, the troubles of Southeastern Europe have had a tremendous impact on the development of U.S. foreign policy in the 1990's, following the cold war. While we do have strong regional interests, the Yugoslav conflict has put us face-to-face with how seriously we take human rights and humanitarian issues as part of our foreign policy, even when national interests may not be otherwise so apparent. Indeed, we hopefully have learned from the tragedy of the Balkans in the 1990's, what those involved in the Helsinki process have known for a long time, namely that there is no true peace without human rights and there is no long-term stability without democratic government.

In Bosnia and in Kosovo, what we saw was genocide, and there is no greater moral imperative than to prevent genocide from taking place. There may also be no greater challenge. Our challenge now in the region is to bring democracy to places where it did not previously exist, at least in any durable form.

In Southeastern Europe, decades of Communist rule have been followed by an intense, direct and violent assault by extreme nationalists on innocent civilian populations. The effects of endless propaganda are hard to reverse. The effects of witnessing family members being slaughtered are even harder.

However, Mr. Chairman, if we are committed in the long term to assisting democratic forces in the region and promoting social tolerance, we can and we will make a difference. That is why I have been a strong supporter of efforts to support democratic development in the region. We simply must understand that some changes could be quick; but not all of those changes can be quick, and we must remain committed to supporting democracy for as long as it takes.

Mr. Chairman, as you know, the Helsinki Commission, which I chair, has for a full decade encouraged democratic development in each of the republics and provinces of the former Yugoslavia. Through election monitoring, Congressional visits, public hearings and briefings and proposed legislation, the Commission has persistently brought close scrutiny to the halting transition before, during and after the eruption of violent conflict.

As you know, Mr. Chairman, early in this Congress, I introduced both H.R. 1064, the Serbia and Montenegro Democracy Act and H. Con. Res. 118 regarding the culpability of Slobodan Milosevic for war crimes, crimes against humanity and genocide. I view both bills as critical and related to each other.

The problems which led to the former Yugoslavia's violent demise may have historical roots and the region's contemporary leaders, as well as society as a whole, may all share some responsibility for perpetuating these problems. However, if it were not for the presence of Slobodan Milosevic and the complete absence of even one ounce of goodwill in that man, these problems certainly would have been resolved without violence on the scale that we have seen, if at all.

I want to thank you, Mr. Chairman, for allowing these two pieces of legislation to move forward. I believe that our witnesses are familiar with the language of these bills and I trust that they will comment on these bills. As you know, Mr. Chairman, tomorrow we plan to introduce a new bill, addressing a number of issues in Southeast Europe. I support your notion that H.R. 1064 and H. Con. Res. 118 should move forward in a more comprehensive way, combined with other regional efforts.

I also wish to thank you for holding this hearing in which we will hear from Administration views on efforts to promote democracy in the region, as well as insight from the panel of experts and I particularly want to acknowledge Janusz Bugajski and Daniel Serwer, who are each going to be on panels. They have testified before our Commission twice, Mr. Chairman, and they do provide excellent insights.

Dr. Serwer, in fact, presented a paper to the Helsinki Commission last December, which was the inspiration for H.R. 1064. The paper became famous when Serb nationalists in Belgrade sought to present it as a covert CIA document designed to overthrow the Yugoslav and Serbian regimes. So I want to thank Dr. Serwer again for his very fine insights that helped us draft that bill.

I look forward to our hearing and thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Smith.

Chairman GILMAN. Mr. Payne.

Mr. PAYNE. Thank you very much, Mr. Chairman. Let me also say it is very important that we have this hearing at this time.

What are the U.S. Interests and goals of U.S. Engagement? I think that is a very comprehensive question, and I look forward to hearing testimony from our witnesses.

I think that we certainly won the war in Kosovo. The question is, can we win the peace? That is going to perhaps be much more difficult than winning the war.

Under the iron fist of Marshal Tito for 40 years, it appeared as though ethnic tensions were nonexistent, because the state became so overpowering there was very little expression overtly of the difficulties and tensions that have gone on for decades, for centuries, in that region.

With the breakup of the Warsaw Pact and the passing on of people like Marshal Tito and other tyrants who, I think, did more damage than good; although the ethnic tensions were sort of subliminal, there was no work done at educating and breaking down

these decades or these centuries of ethnic tension. With the new wave of democracy—you know, democracy means a lot of things to different people—these tensions tend to have surfaced again. So we certainly have a lot of work to do.

I had the opportunity to visit most of those countries in the 1960's and very early in the 1970's—Russia, Romania, Hungary, Czechoslovakia, and Yugoslavia, Austria—and the repression of the government there, as I indicated, kept these differences from surfacing. But I think we have a challenge ahead of us.

I think it is in our interest. I think it was the right decision for President Clinton to take the bold step. War is always unpopular and it takes courage to do the right thing. I think the President did the right thing. Now we have to complete the task.

Thank you very much, Mr. Chairman. I yield back the balance of my time.

Chairman GILMAN. Thank you, Mr. Payne.

Chairman GILMAN. Mr. Rohrabacher.

Mr. ROHRABACHER. Well, the jury is still out on whether or not we did the right thing in the Balkans, and we will find out when we examine exactly what the cost of that operation was to the people of the United States.

I mean, after all, we have a President now who says we can't afford tax cuts, which means giving billions of dollars back to the American people; and we have debates as to how much money we can spend on Social Security, how much money we can spend on various other things that are important to the quality of life and to the health and safety of our own people. And we will do that within the context of having spent whatever we did spend—and I hope to get into that with you today—as to what the costs and ongoing costs of the Balkan operation were all about.

We need to know what has already happened, the short-term costs, as well as the long-term costs. We also should know whether or not this has created some type of dependency attitude by our European allies on the United States of America.

The armed forces of the United States of America, should not be looked at as a foreign legion, as a resource for Europeans who should be shouldering more of the responsibility for their own stability and peace. And if we have now created a situation where our European allies don't think they have to spend more for their own defense and they can rely on the United States, then the costs will be much higher than what we have ever imagined for this operation.

Oversight hearings like this will help us determine what policies our government is following, know what those policies actually are and what policies we should be following.

I would like to congratulate Chairman Gilman on the leadership that he has provided during this entire crisis.

One last note: When we talk about oversight—I will make this very short because we have Administration officials here—this is one Member of Congress who has tried to have an oversight over our policy in Afghanistan. For over a year I have been requesting documents, and the Members of this Committee understand that. I am a Member of this Committee who has a special interest in Afghanistan.

At long last, I would like to inform the Members of our Committee that documents that we requested about diplomatic decisionmaking about Afghanistan were sent to us and let you know most of them were newspaper clippings. In other words, the State Department thumbed its nose at this Committee, thumbed its nose at our oversight responsibility and has insulted us after a year-long stonewalling and putting up roadblocks for us to get the information about what our policy is concerning Afghanistan and the Taliban.

So with that, I will thank the Chairman for calling this oversight hearing so we can at least understand what the Administration's policy is here, even though they are engaged in a policy of deception in terms of a covert policy of supporting the Taliban in Afghanistan.

I yield back the balance of my time. Thank you very much, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Rohrabacher.

Chairman GILMAN. Mr. Hastings.

Mr. HASTINGS. Mr. Chairman, thank you for holding this hearing.

I appreciate very much the witnesses that have assembled. I am sure that the information they impart will be of immense benefit to all of us.

My good friend, Dana Rohrabacher—and he is my good friend—continues to amaze me. He and I enjoy a good debate. I heard you say, my dear colleague, and I agree, that we should be concerned about the short-term costs and the long-term costs. There also is a correlative, and that is the short-term benefits and the long-term benefits. This should not be looked at just as a cost factor when, in fact, stability in Europe benefits America immensely. And I can't understand how everybody does not understand that.

Mr. Chairman, the crisis in Kosovo must lead all of us to reexamine how we view our place not only in Europe but in the world. As the world has changed, many of the key institutions, particularly European institutions, the European Union, Organization for Security and Cooperation in Europe, NATO, and indeed the United Nations have changed. Even though we are an ocean away, Americans know that in today's world of fungible borders and, Mr. Rohrabacher, the world is in interconnected conflicts, gross violations of human rights have become everyone's business.

Having achieved our short-term goals in Kosovo, we must now establish a set of long-term goals for Southeastern Europe. Indeed, what we do now will seal the fate of Europe for the next century. Will there be stability? Will the rule of law be followed? Will there be peace? Will the waters be clean, the air breathable, and the rivers passable for commerce? Will ethnic and religious tensions erode? Will it be possible to attract investment? Our goals are simple, and I believe the Administration and others will put forward many of the terms of those goals: to alleviate tensions, prevent conflicts, promote the development of stronger civil societies which follow the rule of law and respect human rights, encourage the growth of strong and stable economies, raise the living standard for all Europeans and indeed by that raise our own living standards,

assist economic and environmental regeneration and establish regional cooperation in the battle against corruption and crime.

The people of the Balkans have known centuries of war and fear. This simply cannot continue. We cannot allow insecurity in Kosovo to engulf her neighbors. Montenegro, Albania, Romania, Bulgaria, indeed Hungary and others—they are all threatened by the civil and economic instability which has enveloped Kosovo. If we do nothing, they may also be consumed. By working together, we can transform the Balkans from a historic site of conflict and instability into the fabric of a stable and successful Europe.

America can and should be a part of that transformation. And I agree with my colleagues who say that the Europeans should take not only the lead but the lion's share, and I know of no Europeans who have said anything any different. When visiting the Organization for Security and Cooperation in Europe, when I was with Amo Houghton in Ireland, everywhere we went, in London, we find the Europeans say they understand that they have that responsibility.

I applaud President Clinton for his efforts to bring about a resolution to the crisis in the Balkans, and for his leadership in instigating the Stability Pact for Southeastern Europe, but the larger burden, obviously, must be carried by Europe.

All of us abhor violence. The violence must stop, no matter who the perpetrators are. Our resolve, America's resolve, our commitment, America's commitment, should not be diminished at this time. It is time for us to insist that the United Nations move expeditiously to establish peacekeeping forces on the ground in Kosovo and appropriate training to establish a system of justice.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Judge Hastings.

Chairman GILMAN. Mr. Delahunt.

Mr. DELAHUNT. I think Mr. Pomeroy is next.

Chairman GILMAN. Mr. Pomeroy.

Mr. POMEROY. Thank you, Mr. Chairman. Very briefly, I think the jury is definitely in on the Balkans conflict relative to Kosovo. Milosevic lost. NATO won. Nothing could be more clear.

The sharp partisan tone of the debate relative to the Kosovo conflict that unfolded during the months of the conflict in the House of Representatives did not distinguish this body. It is my hope that beginning right now, beginning with this hearing, we can move into the post-conflict debate in a much more reasoned, sensible way. There is nothing Republican or nothing Democrat about that—instinctively or naturally arising from the difficult questions of winning the peace in Kosovo and the Balkans generally.

We are going to have to work together and fashion reasonable, thoughtful policy. The American people deserve no less, and I hope that we can move to a higher plane than the discussions during the conflict itself. I yield back.

Chairman GILMAN. Thank you, Mr. Pomeroy.

Chairman GILMAN. Mr. Delahunt.

Mr. DELAHUNT. Yes. Thank you, Mr. Chairman. I would associate myself with the remarks by Mr. Pomeroy. I would just make one observation. I would submit that the costs of instability in the region would simply be too high, and I would note that this government and this nation for some period of time has, in the Middle

East, supported stability in the form of assistance to both Israel and to Egypt, and I think the cost has been well worth it. It is my understanding, and maybe a colleague could help me, that on an annual basis it amounts to somewhere in excess of \$6 billion.

Mr. Payne indicates yes. And I dare say that nobody on this panel would say that the costs of stability in the Middle East is too high, because the perils and the dangers both in the Middle East and in the Balkans are truly unacceptable. So I think it is important we have a perspective here. Yes, the war was costly and the peace will be costly, and again as Judge Hastings indicated it ought to be—the lion's share ought to be absorbed by the Europeans, but at the same time we have a vital interest. And I yield back.

Chairman GILMAN. Thank you, Mr. Delahunt. We will now take testimony from our witnesses.

Chairman GILMAN. Mr. Anthony Wayne had wide-ranging experience with our Department of State. Before assuming his current position as Principal Deputy Assistant Secretary of State for European and Canadian Affairs, he served as the Deputy Chief of Mission to the European Union. We welcome Mr. Wayne.

Before that, Mr. Wayne served over many years at our National Security Council, the Office of the Ambassador at Large for Counterterrorism and as Special Assistant to the Secretary of State at our embassies in France, Morocco, and at the Bureau of Intelligence and Research. During a leave of absence, Mr. Wayne worked as a correspondent for the Christian Science Monitor.

Mr. Wayne, you may summarize your written statement. It shall be placed in the record. Please proceed.

STATEMENT OF MR. E. ANTHONY WAYNE, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU FOR EUROPEAN AND CANADIAN AFFAIRS, DEPARTMENT OF STATE

Mr. WAYNE. Thank you very much, Mr. Chairman. It is a privilege to be here today, and I thank you and the Members of the Committee for this opportunity to discuss in some detail the basis for and the elements of our policy toward Southeast Europe. I am very happy to have with me Ambassador James Pardew, our Deputy Special Advisor for Bosnia and Kosovo, and Ambassador Larry Napper, the Coordinator for East European assistance. Each of them will discuss in some more detail, following my remarks, what our policy is in their area of responsibility.

But what I would like to try to do is talk a little bit about the overarching policy and programs, the U.S. interests at stake, our objectives and the approaches and tools that we are trying to use to achieve those objectives and to indeed achieve maximization of our interests.

I thought what I might do, to open with, is give a succinct statement of our policy, which came from a speech which President Clinton gave in San Francisco on April 15, and I will just quote from that, because I think this is a good clear overview of what we are trying to do. "Because stability in Europe is important to our own security, we want to build a Europe that is peaceful, undivided and free. We should try to do for Southeastern Europe what we helped to do for Western Europe after World War II and for Cen-

tral Europe after the cold war; to help its people build a region of multiethnic democracies, a community that upholds common standards for human rights, a community in which borders are open to people and trade, where nations cooperate to make war unthinkable . . . the best solution for Kosovo, for Serbia, for Bosnia, Croatia, Macedonia and all the countries of Southeast Europe is . . . greater integration into . . . Europe. . . .”

I will discuss a bit later this past week’s Stability Pact Summit meeting in Sarajevo. That summit demonstrated our commitment and the commitment of the leaders of the region and indeed of the broader international community to make this integration into a reality.

There are three goals which we are pursuing in Southeastern Europe: The stabilization of the region; its transformation into a community of thriving democratic polities and vibrant market economies; and the integration of the region into the broader European transatlantic and global, political, and economic structures.

We are pursuing these objectives in a broad range of institutions and programs, and let me just briefly list them because there are a number here: The Dayton implementation process; the Kosovo peace process; the support for east European democracy or SEED program, which Ambassador Napper administers; the Southeast European Cooperative Initiative known as SECI; NATO’s Partnership for Peace and Euro-Atlantic Partnership Council; the Royaumont Process; the EC/World Bank donor coordination process; the Southeast Europe Defense Ministers group; and several others.

Finally, and most importantly for the medium and long-term prospects in the region, we have established with our partners, as has been mentioned, a Stability Pact for Southeast Europe. This pact has the promise of providing a unifying framework to achieve the broad political and economic reform and the greater integration of the region into Europe, which so many of us seek.

I would like to present our approach to Southeast Europe, first by discussing the programs and approaches that are most geographically focused, and then talking a bit about the broader and the longer term efforts that are underway; particularly in that sense, the Stability Pact being the broadest of these.

First, there are the Kosovo and Bosnia elements which Ambassador Pardew will address in more detail. Kosovo clearly presents an immediate security, political, economic and humanitarian challenge for all of us. KFOR’s deployment has improved the security environment dramatically, but we need to sharpen our focus on improving internal security.

We must also establish the political mechanisms called for in the peace agreement and make the transition from meeting urgent humanitarian needs to laying out the basis for a self-sustaining and productive market economy.

In Bosnia, local governmental and police institutions are beginning to gain authority and popular legitimacy, which they need to ensure domestic security. But the economy still has a long way to go, and there is much that needs to be done there.

I want to stress the importance of getting the Dayton and Kosovo process right. These are intensive tests of the international community's willingness to see peace take hold.

Second, a word about Serbia. It is clear that Serbia continues to pose a serious challenge to regional stability, including the democratic government in Montenegro. The loss of Kosovo to KFOR and the U.N. Civil Administration has left President Milosevic weakened and discredited domestically. Milosevic is an international pariah and an indicted war criminal. As long as he and his regime remain in power in Belgrade, Serbia and the FRY cannot take their place among the community of democratic nations, a message that was made very clear at the summit in Sarajevo last week.

President Clinton has clearly stated our policy. As long as the Milosevic regime is in place, the United States will consider providing humanitarian assistance through international organizations but not reconstruction assistance to Serbia.

Helping to rebuild Serbia's roads and bridges would funnel money directly into the pockets of Milosevic and his friends, prolong the current regime, and deny Serbia the hope of a brighter future. We are working very closely with our friends and allies in Europe to coordinate our activities on Serbia and to forestall any weakening of the existing sanctions regime against the FRY.

A key aspect of our policy on Serbia is indeed support for democratic change. We want to support those forces in Serbian society working to this end. We want to nurture the struggle for democracy, but at the same time I do not want to overemphasize our ability to effect change within Serbia. Milosevic maintains a firm grip on the main levers of power and the Serbian opposition remains far from united. But regardless, our support for democratic forces is an investment in Serbia's future. We look forward to working together with Congress to bring democracy to Serbia and restore real stability in the region.

Albania, too, in the region, is a potential source of regional instability, as was demonstrated by its near collapse in March 1998. Although we have been obliged to reduce our presence in Albania for security reasons, we are continuing to work to address the security concerns and support political stabilization, economic reform and development in that country. We are now increasing our presence and our programmatic support. We are particularly encouraged by the responsible and restrained approach taken by the Albanian authorities during the Kosovo conflict and the reception accorded to the hundreds of thousands of Kosovar refugees. Albania was instrumental to our success in Kosovo. We feel strongly that its role should not be forgotten. We are restarting several of our bilateral assistance programs, largely focusing on combatting corruption and restoring public order.

We participate actively in the Friends of Albania Organization, with many of our European allies and partners. Through that organization, we have established benchmarks for progress in Albania. We support the actions recently taken by the prime minister of Albania and the government to establish an effective rule of law. Progress has been slow, and, due to the nature of Albania's problems, we are going to have to show patience and persistence in order to bring about the long-term change that is desired.

Third, for several years we have sought to address the problems of Southeast Europe in a broader context. Looking at the region as a whole, and increasingly since early this year, we have focused on a post-conflict strategy for renewal of the entire region. This strategy has many different elements, but the focus most broadly, of course, is on the three key project areas: Security, economic development, democracy and human rights.

First, on the security side, we are working bilaterally with many of the countries in the region, but we are also concentrating our work through the NATO framework. At the April summit here in Washington, the Alliance established a special consultative forum for the members of the alliance plus the seven countries of the region on security that has begun to review regional proposals on crisis management, military-to-military cooperation, infrastructure ideas, and promotion of a democratic media. We have also agreed that the summit could develop mechanisms to better coordinate the security assistance to the region from the various allies. And we are working with the allies to implement this and other decisions on a rapid basis.

The EAPC, that is, the Euro-Atlantic Partnership Council, which functions within the NATO structure, also created a working group on regional cooperation for Southeast Europe, which is going to look at defense planning, crisis management, and regional air space management.

We are also supporting the efforts in the region, and particularly of note here is the Southeast Europe defense ministerial process that is really something built from the region up, bringing defense ministers together to look at regional cooperation, efforts that they can take together to promote peace, security and military reform.

To encourage democratization, we have worked for many years now on a variety of programs, including the SEED program, and with a variety of groups and institutions, including the National Endowment for Democracy, to promote democracy. That also has included cooperation with the OSCE and with the European Union. Economic reform and development, of course, have also been a long, standard priority of what we have been trying to do, with the SEED program providing funding to support policy and administrative reform as well as infrastructure development.

An important aspect of our post-World War II reconstruction efforts in Europe was our encouragement of regional cooperation. The states of Southeast Europe, with U.S. support, have built this regional cooperation in a number of different fora. I would like to highlight one, the Southeast European Cooperative Initiative, where we worked with states in the region really to have the first overarching coordinated regional approach to many of the economic troubles which plague the region. Eleven states have come together with the U.S. and other partners to pursue cooperative efforts, looking, for example, at cross-border crime and corruption. The FRY is not a member of this but Montenegro has attended on a regular basis now the SECI meetings as an observer. SECI participants have committed to join in measures to encourage trade and commerce and to make the region more attractive to private investors. The first two agreements, which they recently signed, have to

do with harmonizing road transport and providing a sharing of information to combat cross-border crime.

Mr. SMITH.—[Presiding.] Mr. Wayne, sorry to interrupt. We have about five minutes remaining before we have to report to the floor.

Mr. WAYNE. OK.

Mr. SMITH. I apologize to our other witnesses as well. There are two votes and then the Chairman and many others will return to hear the conclusion of your testimony. So I do apologize.

The Committee stands in recess until the votes are over.

[Recess.]

Mr. HOUGHTON.—[Presiding.] All right. Gentlemen, thanks for your patience. We would like to reopen the hearing.

And maybe you would like to finish up your statement, Mr. Wayne.

Mr. WAYNE. Yes. Let me quickly finish up the basic point I wanted to make about the SECI organization that this is largely a self-help program and has not cost the U.S. taxpayer more than very modest amounts, but is producing very concrete results.

Let me just say a little bit about the Stability Pact and the summit which took place in Sarajevo last Friday. The Pact itself is a mechanism or, if you will, a process to bring together all of the many ideas, the many organizations, the many actors, at work to help integrate Southeast Europe into the transatlantic and European mainstreams. And so, what we are really talking about here is a forum to facilitate that can provide political coordination and a degree of comparative analysis for these ideas.

We hope it is a process that can make more efficient, more effective, and more coherent all of the international and regional efforts that are going underway. The Pact is not a funding or an implementing agency; indeed it is a fairly lean international structure. So any proposals that are developed in the Pact would actually have to be carried out and implemented by other agencies. We foresee no large bureaucracy being developed in this context.

The Pact proposals in the economic field requiring funding would go to the EC/World Bank chaired process, donors process, where they would be analyzed and assessed there, and we, of course, are a member of the high-level steering group guiding that process.

Last week in Sarajevo, if I might go on, President Clinton and other leaders offered their comments on the future of Southeast Europe. The President took the opportunity to put forward several initiatives which we can talk about in more detail; these included \$10 million to aid the efforts for democracy in Serbia.

They included a proposed investment compact to spur investment in the region, a number of ideas associated with that, and the trade expansion initiative. Now on all of these, of course, as the President made clear, we look very much forward to working with Congress as we develop these ideas and as they go forward.

But Sarajevo itself wasn't just about what people were offering or putting on the table. What was very significant was the clear commitment of everybody there to work together as partners to make this long-term process of integration a success. The clear message from leaders of the region that they knew they shared responsibility to work among themselves to undertake reform; the clear message from those outside the region that they had to re-

spond concretely to those steps by the regional leaders. This was very important.

In sum, I might just say that few of us could have foreseen or would have foreseen the depth of our engagement in Southeast Europe today. But I think few would deny that to engage in the region, to bring the states of Southeast Europe into the Euro-Atlantic community of prosperous, secure, and democratic nations is a task and, indeed, an opportunity that must not find us wanting.

Thank you.

Mr. HOUGHTON. Thanks very much, Mr. Wayne.

[The prepared statement of Mr. Wayne appears in the appendix.]

Mr. HOUGHTON. The next witness is Ambassador Larry Napper, who serves as Coordinator of Assistance to East Europe after a long career with the State Department. After service with the United States Army, Ambassador Napper joined the Foreign Service and rose to a number of important positions in our diplomatic core including key positions at the Embassy in Moscow, Deputy Chief of Mission at the Embassy in Romania and Director of Department's Office of Soviet Affairs and Ambassador to Latvia.

So, Ambassador Napper, we are delighted to have you here. Would you please proceed.

STATEMENT OF AMBASSADOR LARRY C. NAPPER, COORDINATOR FOR EAST EUROPEAN ASSISTANCE, DEPARTMENT OF STATE

Mr. NAPPER. Thank you very much, Mr. Chairman.

Given Mr. Wayne's detailed statement and our desire to get to your questions, I just want to make three points really about the SEED program and the role that it plays in our overall strategy in Southeastern Europe.

First of all, SEED works; it is a demonstrated performer. If you look at the program over the past 10 years, we have graduated eight countries from the SEED assistance program. That means eight countries that were, at one point, recipients of our bilateral assistance have now progressed to the point where they no longer need direct U.S. bilateral assistance.

In fact, SEED graduates are members of NATO and partners of NATO and aspiring companies for the European Union, so this is a program with a demonstrated track record. Elsewhere in the region, in Central and Northern Europe and, if we continue and if we persevere, in Southeastern Europe, we can achieve the same results because we can show a demonstrated track record.

The second point I would make is that SEED is flexible. It allows us to do activities across a range from technical assistance to support for peace implementation in Bosnia and Kosovo, to the promotion of regional projects. Mr. Gejdenson's point about supporting development of the Southeastern Europe as a region—we can do that through SEED, and we are doing it.

And finally, with small amounts of SEED assistance to these countries, we can help them create a climate to promote trade and investment, because the private sector is really the engine that is going to transform Southeastern Europe. So SEED works; it is flexible.

My third point is, it is a bargain. Our SEED assistance program this year for all of Central and Eastern Europe began at \$430 million, 370 of which was dedicated to Southeastern Europe. With the budget supplemental that the Congress passed and the President signed in May, we now have a total of \$490 million in SEED assistance going to Southeast European countries.

Mr. Chairman, that is 3 percent of the 150 Account, the total 150 Account. So it is a minuscule part really of what we are doing overall in foreign affairs; and if you compare that to the overall Federal budget at large, you can see what we are doing here is a program that is modest in size, cost effective, and I say again it works.

So with that, Mr. Chairman, I would like to conclude and be glad to take your questions. Thank you.

Chairman GILMAN.—[Presiding.] We regret the interruption for voting.

[The prepared statement of Mr. Napper appears in the appendix.]

Chairman GILMAN. Our next official witness, Ambassador James Pardew, was appointed to his current position in March of this year after being appointed to the rank of Ambassador in 1997. Ambassador Pardew has a long record of service with our military from which he has a number of decorations. Among other positions, Ambassador Pardew served with the staff of the Joint Chiefs in the Army General Staff and completed a number of foreign tours of service. Entering into the risky field of foreign policy, after that military career, the Ambassador served as Representative of the Secretary of Defense at the 1995 negotiations on the Dayton Accords for Bosnia and then as Director of the "Military Train and Equip Program" in Bosnia from 1996 to 1999.

Mr. Ambassador, we welcome you. You may summarize your written statement and put the full statement into the record as you may deem appropriate. Please proceed.

**STATEMENT OF AMBASSADOR JAMES PARDEW, PRINCIPAL
DEPUTY SPECIAL ADVISER TO THE PRESIDENT AND THE
SECRETARY OF STATE FOR KOSOVO AND DAYTON ACCORDS
IMPLEMENTATION**

Mr. PARDEW. Thank you, Mr. Chairman. I will submit a statement for the record. And I will just highlight its points, keying on some points that the Members made in their opening statements.

First of all, throughout this century the stability of Europe has been of vital interest to the United States; and ethnic conflict in Southeastern Europe clearly is a direct threat to European stability and, therefore, is a threat to the U.S. National interests.

That is why we have invested so much time, energy, and resources in former Yugoslavia over the past 10 years. That is why American troops have been in Macedonia since 1993, in Bosnia as part of a NATO-led force since 1995, and now in Kosovo as part of the NATO-led force implementing the agreement that followed the successful air campaign.

These military deployments are not a permanent solution, however. Long-term regional stability requires active and robust political and economic development. I will talk about primarily Kosovo and Serbia and skip over the Bosnian peace. But in Kosovo, we

have to rebuild civil society from the ruins of the savage campaign which Milosevic waged against the population.

Our immediate steps to create an autonomous democratic society were successful in the successful air campaign and the return of over 700,000 of the 800,000 refugees expelled from Kosovo. Currently, more than 37,000 troops from 21 nations are deployed there, including 5,500–5,600 U.S. forces. K-4 is rapidly establishing a secure environment.

Separately, the U.N. Administration for Kosovo, UNMIK, is making steady progress in deploying civil administrators, civilian police and judicial authorities to the field under extremely difficult circumstances. UNMIK has a very powerful mandate sufficient to create the foundations of a democratic society.

And while it is deploying, it still has a very long way to go. We are doing everything that we can to urge contributing companies and the U.N. to deploy as soon as possible.

I want to highlight last Wednesday's immediate needs conference in Brussels, which focused on humanitarian requirements and where donors pledged to provide nearly \$2.1 billion in humanitarian assistance. The United States pledged \$556 million in assistance for urgent humanitarian needs, subject to clear assessment of the need and a confirmation that other donors will do their part.

This money comes from the budget supplemental passed by the Congress and signed by the President on May 21st of this year. None of this funding will go for reconstruction in Kosovo or long-term development in Southeastern Europe. The follow-on donors conference in the fall will concentrate on assistance for reconstruction for which the Europeans will bear the bulk of the burden.

An urgent item on UNMIK's agenda is the creation of a civilian police force. The U.N. plans to deploy 3,100 international police; they will be armed and have arrest authority. This is a new development for the U.N. We intend to provide 450 of these police. This is an interim step until we can train 3,000 indigenous police, and the U.S. is playing a leading role in that effort in training local police as well.

Further down the road, democratization will require active and pluralistic political life. Our goal is to hold elections in Kosovo as soon as feasible. I will skip over the Bosnian peace only to say that we have obviously had significant success there, but we still have a way to go on such things as refugee returns, economic restructuring, and the strength of state institutions.

Finally, let me speak a moment about democratization in Serbia, because long-term stability in the region requires Serbian leadership committed to democracy and the rule of law. President Clinton has made clear that there will be no reconstruction assistance to Serbia as long as the Milosevic regime is in place.

Over the past several weeks, Serbia citizens have shown their disgust for Milosevic and their hunger for democratic change through spontaneous demonstrations in the streets and cities throughout the country. These are positive developments, and we should nurture them. At the same time, I don't want to raise expectations that the Milosevic regime will fall easily or soon.

Over the past two years, the U.S. Government has—and NGO's like NDR, IRI and NED have spent \$16.5 million on democratiza-

tion projects. In Sarajevo last Friday, the President announced he will work with the Congress to provide 10 million this year and more over the next 2 years to strengthen independent media, NGO's, independent trade unions, democratic opposition. And we look forward to working with this Committee, Mr. Chairman, in that regard.

Our democratization programs focus in three areas: first is assistance to opposition parties; second, in promoting independent media and the free flow of information; and third, we give special importance to support for Montenegro. President Djukanovic and the multiethnic democratic government in Montenegro have demonstrated courage and determination, and we want to support them as a model for change in the FOY.

Mr. Chairman, that concludes the summary of my points. I will be open to any questions you may have.

Chairman GILMAN. Thank you, Mr. Ambassador.

[The prepared statement of Mr. Pardew appears in the appendix.]

Chairman GILMAN. We will proceed with questions for the entire panel.

Our nation has appropriated about \$400 million annually in recent years for our SEED Act assistance program, the major U.S. aid program for Eastern Europe, and, combined with other forms of aid, U.S. assistance in the entire region has probably exceeded \$500 million per year.

Can our panelists tell us what the Administration will now be seeking for aid to Southeast Europe in fiscal year 2000 and what the Administration will commit to provide annually in such aid to Southeast Europe under a regional assistance initiative? And will that amount be larger than the current aid provided annually in Eastern Europe and, if so, by how much? I would welcome any of our panelists' response.

Chairman GILMAN. Ambassador Napper.

Mr. NAPPER. Yes, Mr. Chairman. I have got it turned on now.

Thank you, Mr. Chairman. The President's current budget requests for the SEED assistance program for 2000 is \$393 million. In the context of consideration of that on the Hill, the director of OMB has said that there will be a budget amendment submitted by the Administration, and we believe that, in fact, a budget amendment will be required.

Now, I am not in a position today to say exactly what the level is that we will be recommending. That is still being developed within the Administration, and we want to work with you up here on the Hill, this Committee and others, to come to an appropriate level for seed assistance in 2000.

Chairman GILMAN. Thank you. James Wolfensohn, the President of the World Bank, has stated his fears that aid to the Balkans may siphon off aid needed to respond to the humanitarian crises in Africa and Asia, and he specifically cited the hundreds of thousands of refugees and internally displaced persons who were forced from their homes by the conflict over the region of Nagorno-Karabakh in Azerbaijan earlier in the decade and who have been living in abysmal conditions ever since. How do we respond to that concern?

I welcome a response by any of the panelists.

Mr. NAPPER. Well, certainly, Mr. Chairman, we recognize that there are requirements everywhere in the world which do require our attention. One fact, though, that I mentioned, if you look at the size of the SEED assistance program, in the context of the entire 150 Account, the entire foreign affairs account, which is about 3 percent of the 150 Account, I would not say that historically our SEED assistance program has been particularly large—has loomed particularly large in our overall assistance programs worldwide.

I would anticipate what we are talking about, I would describe, is fairly modest increases in order to deal with the situation that we found there and to try to bring stability to an area which has after all cost us a number of millions of dollars in terms of fighting military campaigns and conflicts. We would like to avoid that by a reasonable and modest investment of assistance funds.

Chairman GILMAN. Would any of our other panelists want to join in answering?

Mr. Wayne.

Mr. WAYNE. Just to add that, as you well know, Mr. Chairman, historically this region has been the source of much conflict during this past century, and now there is indeed a strong consensus, as evidenced by the Stability Pact Summit, of the need for a long-term effort to really integrate this region so that will not be the case in the future. And certainly we believe that is worth the investment of time and effort to do so.

Just to note, Mr. Wolfensohn was present at the summit and that the World Bank is intimately involved in the thinking and planning that is going to go on for both Kosovo reconstruction and the broader reconstruction in the region. Indeed, the World Bank is one of the co-chairs of the donor coordination process. We have counted heavily already on their expertise and their guidance in developing the thoughts that we have so far, and as we look at the needs for the region, they will be a key player in pulling that needs-assessment together.

Chairman GILMAN. Ambassador Pardew?

Mr. PARDEW. I have nothing to add, Mr. Chairman.

Chairman GILMAN. Let me move on to another issue. In June, a spokesman for Carlos Westendorf, the head of the international effort in Bosnia, stated that corruption there involves hundreds of millions of dollars annually. Westendorf's deputy, Jacques Klein, had stated earlier that corruption in Bosnia was the largest single obstacle to that country's ever becoming independent of aid programs.

Can you tell us what is being done to halt such corruption, what plans been made to eliminate that kind of corruption in Kosovo, and what planning will be undertaken to eliminate such corruption throughout Southeastern Europe as the new regional assistance initiative takes hold?

Mr. PARDEW. Mr. Chairman, let me speak of Bosnia.

Chairman GILMAN. Ambassador Pardew.

Mr. PARDEW. We are very much concerned about the issue of corruption in Bosnia and the potential, for that matter, of corruption in Kosovo. As I have said in my written statement to the Committee, we are not yet happy with the level of economic reform in

Bosnia. We have put forth to the government, both the entities and the state government, proposals which would reduce the potential dramatically for corruption in that area. We are also working with the police and the international institutions to tackle this problem. But this is a long-term problem, and it requires structural reform in Bosnia.

In Kosovo, we are working with the United Nations, the World Bank, and others to provide the immediate technical assistance to create the proper institutions that would reduce the potential for corruption there.

Chairman GILMAN. Thank you.

Chairman GILMAN. Mr. Pomeroy.

Mr. POMEROY. Thank you, Mr. Chairman. And first of all, I want to commend you for holding this very important hearing, clearly the complexities of what we are addressing require this Committee to learn everything we can and monitor the situation closely for the foreseeable future.

My first question would be to Ambassador Napper and would involve your expertise with the former Soviet Union. What are the ongoing ramifications of the Kosovo conflict for our relationship with Russia?

Mr. NAPPER. Well, Mr. Pomeroy, I am not working on Russia right now, but let me just answer your question the best way I can. Certainly, the issues surrounding this conflict have been at the center of much of our dialogue with Russia over the past few weeks and months. We have not always agreed at every point during the conflict about what should be done at the time. But I think at the end of the day, we have been able to cooperate with the Russians at very important points in the conflict.

Mr. POMEROY. Do you have a sense in terms of the lingering ramifications, whether the nationalists are still very much fueled by our involvement in the conflict? It seems to me that it is dying down very quickly.

Mr. NAPPER. I think there is always a range of political opinions and viewpoints in Russia, that has always been my experience; and I don't think things have changed since then. Russia is now a democratic country and there are a lot of voices that get expressed. But, I think what is important for us is the policy that is followed by Russia. And at the end of the day, after a lot of back and forth and pulling and hauling, in fact, the Russians at key points have been helpful in trying to find a way to resolve the military aspect of the conflict and to bring the peace on the ground.

And maybe Ambassador Pardew would like to add to that.

Mr. POMEROY. I think that answers my question adequately. I have a question though for Ambassador Pardew. It relates to the suggestion, and it is an important point, does this make Europe more dependent upon United States military intervention or does it indeed humble them and make them rededicated to developing a more effective European defense force to develop—to deal with European security matters? It seems to me that the comments—in particular, Prime Minister Tony Blair, would support the latter conclusion that, if anything, the aftermath in Europe in terms of this conflict is that they have got to do a better job of developing a coordinated military capability and execution.

Mr. PARDEW. I think there are two elements to your question, sir.

First is a technical military one, and you really need to ask the Pentagon, because I think there is a difference in basic capabilities that this war may have been between the forces, and I am really not the right person to address that.

But I think the United States and our European partners have reached a conclusion through this entire process, this decade of the breakdown of the former Yugoslavia, that the United States cannot go too far away from European responsibilities and the Europeans realize that they need our help.

So I think we have developed an effective partnership that was borne out in this particular conflict in which we worked very, very closely from the beginning with our European partners on how we could reach an effective political solution. Unfortunately, it required the use of military force. But, again, this was the culmination of 19 different countries focused on the single objective, which is really a remarkable achievement.

Mr. POMEROY. It was a remarkable achievement. Mr. Wayne, do you have a comment?

Mr. WAYNE. Just to add that I think you are correct in your observations about the remarks that Prime Minister Blair has made, that clearly he and I think several others in Europe (of course, we don't know how many yet) have drawn the conclusion that there has to be a focus on developing defense capability in Europe. And that is one of the lessons that came out of Kosovo: the unity of purpose and the importance of the alliance was one lesson; another one was that there does need to be work on developing the defense capability in Europe. And he certainly has been vigorously pursuing that.

Mr. POMEROY. I hope he is reflective of the alliance. My time is up, but I have got another question.

Chairman GILMAN. Go ahead.

Mr. POMEROY. Thank you. It relates to housing stock. I represent North Dakota; we know about winter. And it looked to me, especially at the onset of the conflict, that they have a pretty severe winter there. How are we coming in terms of dealing with people who have lost their housing being able to survive a winter, for the hundreds of thousands of impacted families?

Mr. PARDEW. Well, first of all, this is a very resourceful population, and this whole situation has placed UNHCR under tremendous stress. If you look at what has happened here, first of all, you had the dislocation of 250,000 people inside of Kosovo and spilling over into the borders. Then almost a million people migrated out of the country, and now a million people have migrated back into the country, so the task for UNHCR has been enormous. And while there have been fits and starts, I think we have got to conclude that they have been able to deal with that great tragedy.

It is our understanding now, and we have something like 90 NGO's in Kosovo at this point in time, that basic humanitarian requirements are being met: medical, food, and shelter. UNHCR recognizes that they have a limited amount of time, as we do, to get people ready for the winter. But between the population and the self-help program and people sharing their own homes, buildings that have not been destroyed, and materials that are being pro-

vided by the international community, we believe right now that basic shelter needs will be met and that we will be able to deal with it.

Mr. POMEROY. Mr. Ambassador, that is music to my ears.

Chairman GILMAN. Thank you, Mr. Pomeroy.

Chairman GILMAN. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman.

Ambassador, thank you very much for your testimony. I wanted to call to your attention legislation I introduced on July 30, the Kosovo Burden Sharing Resolution, which was cosponsored by Mr. Lantos and other original cosponsors, Mr. Cox, Mr. Ewing, Mr. Green of Wisconsin, and Mr. Toomey. I had some encouragement from Republican House leadership in preparing this legislation. I held it several weeks, almost a month, while we tried to get more information about the cost of the air war.

It still is sketchy, but we provided most of the aircraft. We flew most of the sorties; we provided most of the munitions, by far the majority: logistical planes, about 79 percent. What this resolution does is say that the U.S. should not pay more than 18 percent of the aggregate costs associated with military, air operations, reconstruction of Kosovo, and in other parts of the Southern Balkans. That 18 percent figure came from the President in his personal remarks to the Speaker, but he did not clarify what 18 percent was going to cover.

I took the hard-line approach at a beginning of the negotiations and covered air war and so on; and in reality, I think what we spent on air war will be more than 18 percent of totals, but we can begin the negotiations at that point. It is my intention not to let the Administration permit European and other allies pay less than the majority costs for reconstruction in that area. And by majority, I am talking about a supermajority. It is important we don't begin to spread money around in that region.

So this will be my effort to make a statement—get other people to support it, and then police the appropriation process hereafter, because Europeans have no history of the United States really coming down and asking them to follow through on promises and to pick up the majority of the costs.

The second thing that it does in the way of guidance in the sense of the Congress element is to suggest that Macedonia and Albania deserve high priority for the costs—humanitarian, economic costs that they bore during this period of time in preparation for the air war, during the air war, and subsequent to the air war. I wanted to call that to your attention, gentlemen, and we will see how we progress at this point. But we are watching very carefully to make sure that the President doesn't continue to announce large expenditures without consulting Congress.

I do have a question. I hope you can be candid, Ambassador Napper, in particular, with me on this. Is it true that you are having difficulty in the Administration getting approval of appropriations for Macedonia? What is the situation in that respect? Is there one Senator, or one Senate staffer, who is holding up the progress in getting money for Macedonia? If so, what are the cited reasons that you hear? Why are they holding up money for Macedonia when they have borne all of those costs and when they are potentially

destabilizable as a result of the Balkans war, a very fragile democracy in its early stages in the first place.

Mr. NAPPER. Mr. Bereuter, thank you very much for your question. I agree with you, we certainly do—in the Administration—Macedonia and Albania deserve priority attention and, in fact, they have received that. In our SEED assistance program, for instance, the original allocation for Macedonia in 1996 was \$16 million. That has more than doubled to \$32.5 as a result of the supplemental appropriation and other increments that we have been able to bring to the account.

In addition, out of the roughly 100 million in ESF (Economic Support Funds) that was appropriated for budget support and balanced payments support, 28, 29 million—22 million of that 100 million went to Macedonia, and then another six that we found in an existing account. So, as you can see, we tried to do everything we can possibly do to assist Macedonia and Albania in these circumstances.

We have had dialogue with a number of Members and staff concerning Macedonia. There is at present no impediment to providing the assistance to Macedonia. Whatever questions did exist, and there were some at one point, have been answered so that the assistance is able to flow. There were some questions, frankly, about how the Macedonians and the Macedonia security forces handled the influx of the Kosovar Albanian refugees when they first came into Macedonia.

There were some reported instances in which the security forces were not perhaps as welcoming as might have been hoped, but we did work with the Macedonian authorities, we believe we saw a significant improvement. And as I say, we have been able to resolve virtually all of the questions that involve technical assistance and balanced payment assistance.

There is one remaining outstanding question concerning foreign military assistance, but by and large all of the assistance to Macedonia is flowing.

Mr. BEREUTER. Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Bereuter.

Chairman GILMAN. Mr. Delahunt.

Mr. DELAHUNT. Thank you, Mr. Chairman. Questions have been posed relative to burden sharing, and the disproportionate share in terms of the military action that was undertaken. Clearly there is a growing consensus, within this Committee and in Congress and within the Administration, that the Europeans, our NATO allies, should step up in terms of economic assistance and development at this point. But in the course of the exchange, I think it was you, Mr. Wayne, who talked about Prime Minister Blair in a recognition that they have to increase their burden when it comes to the security, security capacity.

But if we are successful, if the United States, our NATO allies are successful in nurturing true democracy in this region, one can't always foresee the future, but I would suggest that a viable dynamic democracy within the region would really, to a substantial degree, obviously obviate the need of the concern about these security issues.

Any comment? Again, that is why I would say that a priority at this point has to be examining this question in a regional context and making the kind of investment, whether it be substantial or not, that will save us in the long run.

Mr. WAYNE. Congressman, if I might take a crack at least at a initial response.

We agree fully with you that we need to take a regional view of this situation. That means, of course, sometimes we will act in individual countries, because they have their individual needs. We also agree fully, as you indicated, that the lion's share of the reconstruction and development costs should be provided by the Europeans. And with every European that I have talked to, they agree with that and indeed say that it is their intention, to do so, and that is what they will do. Ambassador Napper can give some specific figures in the technical assistance area, to show that in talking about reconstruction and development, they, indeed, even before the conflict, were providing the lion's share. And they know now that they need to provide more.

The European Union is revising its different types of contractual relations to have more trade access available for the countries of the region, particularly for Macedonia, Albania, and Bosnia, where there were different kinds of trade and commercial regimes. They are looking at all of their relations to indeed provide more assistance, to have more trade access, to encourage investment, and this is very important.

Indeed, what you said about democracy, supporting democracy, it is vital. We need to do that. Democracy has taken good root in a number of the countries of the region. There are other places clearly where it needs help, and there is Serbia, which is a large hole. We need to work on all of those. And indeed, we can't separate the work on democracy from the work on the economy, from the work on security. We have to pursue all three of those baskets, if I could put it that way, together.

Mr. DELAHUNT. If I may, Mr. Chairman, my time is almost up, just an observation. In any society or in region, there are symbols, I do concur, and really support the Administration's position vis-a-vis aid to Serbia, as long as Milosevic is still in power, because I think he has become such a symbol. I think some of us overestimated his ability to survive. Early on, it was stated that he would never withdraw without the intervention of U.S. ground troops; yet he did, and his efforts to divide the alliance obviously failed.

I think it is fascinating to see the demonstrations break out in such short order after the conclusion of the conflict. But I was heartened today to read that an indicted war criminal, a Bosnian Serb general, was arrested. It is important to maintain that course, because I think people in the region are looking toward that end. I think it carries such symbolism in terms of why we were there in the first place, in terms of the moral imperative of saving lives and in being there for the right reasons in terms of defending human rights everywhere.

Mr. WAYNE. We agree.

Chairman GILMAN. Thank you, Mr. Delahunt.

Chairman GILMAN. Mr. Rohrabacher.

Mr. ROHRABACHER. Gentlemen, when I was a young reporter, I used to ask two questions, and actually I just asked these two questions over and over and over again of whoever I was interviewing. People used to think that I knew a lot more than I knew, because everyone always seemed to be stymied a bit by these two questions. I think I will just ask you fellows the same questions, and I am sorry if you may have already answered them while we were gone for the vote.

The two questions I always asked were, how much is it going to cost and who is going to pay for it? So maybe you can tell us specifically how much the Balkan operation has cost us so far? How much will it cost by the time we have reached a conclusion? And just who is going to pay for it? Do we have any specifics for that? I mean, you are here to give us a little insight on these things.

Mr. NAPPER. I would like to try to address the nonmilitary costs. I know you probably are very interested in the military side of it. But that is something that we—

Mr. ROHRABACHER. Does the State Department have any overall figure for us?

Mr. NAPPER. If you look at the supplemental appropriation that Congress passed and the President signed for the Kosovo Conflict, that gives you a pretty good thumbnail sketch of what we are intending on doing, and that is roughly just about a little bit more than a billion dollars in terms of nonmilitary costs for the Kosovo conflict, which includes a 120 million in SEED funds, 105 million in economic support funds for a balanced payments assistance to the front line states and investigation of war crimes, and the vast bulk—the remainder of that 1.3 billion—is fundamentally humanitarian.

Mr. ROHRABACHER. The trouble about analyzing a supplemental is that we know that funds have been poured in from other accounts into this specific commitment, because the Administration, you know, saw this as an emergency situation.

Mr. NAPPER. Yes.

Mr. ROHRABACHER. Would I be wrong in suggesting that after 10 years, we may look back and find that \$30 billion have been spent by the United States both in the military as well as the civilian end of this project?

Mr. NAPPER. In my view, that figure is probably far too large, but, you know, it is difficult to sit here and give you an estimate of what the next few years are going to bring. Certainly, there is no plan for a \$30 billion commitment over the coming years of that kind.

Mr. ROHRABACHER. Do I have any other overall idea of estimate? Let me ask, please, the next time we have some type of a briefing on this or some other type of a hearing, that we have a figure, because I think that it is important for the American people to understand the costs. And we all know who is going to pay for it—we are going to pay for it—old Uncle Sam and then all the rest of the taxpayers.

One thing that has disturbed me over the years is that ever since World War II, it seems when we have had the upper hand we have been unwillingly to take those final tough steps that will end a situation and correct it. For example, here it is, 10 years later with

Saddam Hussein, we are still in Kuwait and we are fighting Saddam Hussein today. My father fought in Korea and 50 years later, one-fourth of the history of our country, we are still occupying Korea.

Concerning what we are doing in Kosovo, have we at least decided that Kosovo will have its right to independence and freedom? By the way, I personally believe that the Kosovars and all people should have their right of self-determination. Are we going through all of this cost but still trying to maintain this charade that Kosovo is part of Serbia and thus leaving the door open 10 years from now for the Serbs to do exactly what they just did?

Mr. NAPPER. First of all let me say something about who pays. Again, I can't speak as to the military costs, but I can say that we just had a donor's conference on the immediate humanitarian needs in which the United States pledged roughly one-fourth of those costs. The Administration has been on record over and over and over again that the vast majority of reconstruction cost is a cost that will be borne, in the large part, by the Europeans.

The European Union has stepped up to that responsibility and stated that they will take a leadership role and has taken over the reconstruction piece of the U.N. force or the U.N. civil administration force that is in Kosovo.

So the United States will pay particularly in the humanitarian area. Right now, that figure is about 25 percent of the anticipated funding that is going to come in there. We will participate very little in the reconstruction cost. It will largely be a European matter.

On the issue of Kosovo, we haven't ruled out independence in the sense that the long-term status of Kosovo has not been decided. It is something that should be decided as the civil society is reconstituted, as people have governments that are put in place, and that just hasn't happened yet.

We have a situation over there now in which, first of all, NATO is basically in charge. The U.N. will assume responsibility for civil administration, and in that process, we will develop local institutions, police, local governance and so forth toward democracy. Once we have a structure in place that can deal with the long-term issue of Kosovo status, it can deal with that. But it is premature now to determine the long-term status of Kosovo.

Mr. ROHRABACHER. It would probably be better to determine that while we have the upper hand, you might say, I did notice that you were training 33,000 policemen.

Mr. PARDEW. If I said that I am wrong.

Mr. ROHRABACHER. What was that, then?

Mr. PARDEW. It is about 3,000 local police.

Mr. ROHRABACHER. I was trying to clarify that.

Mr. PARDEW. We are going to have about 3,100 national police on the interim basis until we can get the police force built.

Mr. ROHRABACHER. Thank you very much. I do believe, again just for the record, if we have gone through all this and the people of Kosovo have gone through this, the Kosovars do deserve their own independence, which would be the long-term solution. Thank you.

Chairman GILMAN. Thank you, Mr. Rohrabacher.

Chairman GILMAN. Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman.

Let me just follow up on Mr. Rohrabacher's question with regard to the costs. I would like to know when or if we will ever receive these figures, in terms of the costs. In terms of the nonmilitary costs, I would like to know the accounts that this billion is coming out of; because from what I remember during the supplemental appropriation process, we had some numbers in terms of offsets to food stamps and section eight housing and community development block grants.

I say that because right now we are facing huge cuts in the VA-HUD budget, and this impacts senior citizens and low-income individuals in terms of housing in their communities and in terms of just their ability to eat. So I would like to know when we receive those costs, if we will know where those costs are coming from.

Whether we agreed with the war or not—I certainly did not agree with it—I think it is our obligation to provide the support for the Administration in terms of its rationale to not support reconstruction assistance until Milosevic is out of the picture. But I guess the question I have is, at what point do we evaluate this position and look at what impact it is having or, if it is having no impact on the people of Serbia, regardless of whatever humanitarian assistance that we are contributing.

Is there a dropdead point, do we go back and evaluate it? Do we say to Congress, the lack of our participation in reconstruction efforts has impacted the people in this way?

Mr. NAPPER. First, with regard to your first question, the Kosovo supplemental was passed under emergency designation. It was not offset, so that there is not a tradeoff between the moneys that were included in the Kosovo supplemental and the other program accounts that you are discussing.

With regard to the people of Serbia, we have made it clear from the beginning that we don't have anything against the people of Serbia. What we have as a problem is their leadership at this point. We have not ruled out the possibility of humanitarian assistance to the people of Serbia; and, indeed, we have continued to contribute to international organizations on the ground in Serbia that are providing that kind of humanitarian assistance. Here I am talking about food and medicine—that kind of thing.

But we do draw the line at reconstruction and the President has made that very clear this is our position. And I don't anticipate that changing until there is a change in the leadership.

Ms. LEE. I understand that. And I agree, but I am just saying at what point? For instance, if people need bridges to go to work and can't go to their jobs because they can't get there and there is no reconstruction assistance in the mix, do we ever evaluate what that means in terms of the people? I fully agree with what you are doing—I am just saying how do we know its impacts or will we ever know, or does it really matter until Milosevic is out of the picture?

Mr. PARDEW. This is a tough question, because some of the restrictions—the sanctions regime, and we hold a complete sanctions regime still in place, new bridges and those kinds of questions do have an impact on the population. But the basic rule we are apply-

ing at this point is that anything which strengthens the regime is off limits.

We are willing to contribute to international organizations that would meet the basic needs of the population, food, shelter, medicine, those kinds of things; but if it goes into accounts which then can go to Milosevic or his cronies or strengthen the regime, even though it may have some impact on the population, we are, at this point, unwillingly to do it. And, you know, we can assess that.

Ms. LEE. Are we assessing the impact or will we?

Mr. PARDEW. What we are trying to do is work with the democratic opposition. As you know, the President has sent 10 million this year. We are assessing the needs for the future on how we can improve the potential to change the regime here in a way that would be more democratic. I think that is the real solution here. And then the restrictions which are in place at this point in time would be reconsidered.

Ms. LEE. Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Ms. Lee.

Chairman GILMAN. Mr. Chabot.

Mr. CHABOT. Thank you, Mr. Chairman. I just have two questions. How much is it going to cost and who is going to pay for it? No, I guess that has already been asked.

Seriously, relative to Bosnia, in particular, as you all remember, this House was led to believe that our troops would be there for one year and it was going to cost somewhere in the range of \$2 billion or so. It has gone up now, I understand, to eight or nine or \$10 billion, and we have been there for four years now with no end in sight. I was just wondering what the latest thinking is, and if you have already covered this in your testimony, I apologize. We have about three Committee hearings that we are kind of bouncing around on—most of the Members. What is the best thinking at this point in time concerning how long our troops are going to be in Bosnia?

Mr. PARDEW. Well, I think that the lesson was learned in the original projection on giving a specific timeline, that was probably a mistake.

Having to go back on that, reassessment has been done in which we are looking for an end state as our way out, not an end date. So there is no willingness at this point to put any kind of timeline on this. I would simply point out that when we went into Bosnia, there were 60,000 U.S. troops. We have set benchmarks on things that need to be done in order to provide long-term stability, and that is our interest and objective here.

As the situation there has improved, we have been able to reduce the force commitment now down to about half, less than half of what we had in there to start with, so the troop contribution or troop levels have gone way down. As other areas are improving, we can see the international community cutting back as well.

But there is a set of clear benchmarks that we are looking at, the President has set 10 of those, and our presence there will be measured against the benchmarks seeking to achieve long-term stability.

Mr. CHABOT. OK. I appreciate your response. But in essence, you have said that, yeah, it was one year and that was probably a mis-

take to tell us that. It has now been four and there is no end in sight at this point.

Relative to our commitment in Kosovo, I know that there was no commitment, and I would assume that the Administration would not really find it wise to even venture a guess as to how long the troops might be there either. Is that correct?

Mr. PARDEW. Again, the presence there is based on the goals of the Security Council Resolution 1244, which gives a powerful mandate to the civil Administration and to the military presence headed by NATO. As the tasks that are identified in the Security Council Resolution and the objectives are met, those numbers—that commitment should be reduced.

So we are hopeful Kosovo is a significantly different situation than we had in Bosnia. We are hopeful that the presence there can be reduced more rapidly. But, again, Congressman, you cannot put a specific time or date on that.

Mr. CHABOT. OK. Thank you very much.

Chairman GILMAN. Thank you, Mr. Chabot.

Chairman GILMAN. Dr. Cooksey.

Mr. COOKSEY. Thank you, and thank you gentlemen for being here.

You know, I was over there in May and visited some of the camps. My question is, were the camps kept open? Because it seems that the peace is failing, and you have just got a different group of refugees. One group has now gone into the country and another group is coming out.

So are you keeping the camps intact to take care of those refugees—the new group, the Serbs that are coming out? There is an infrastructure there now, or has it all been dismantled?

Mr. PARDEW. It is considerably different, Congressman. First of all, the numbers are vastly different.

Mr. COOKSEY. Ten percent, I would assume.

Mr. PARDEW. The number of Serb refugees, I think, is somewhere on the order of less than 200,000, whereas in Kosovo, we had over a million refugees and displaced persons. Some Serb refugees are going to Macedonia where camps were established; they are not going, for obvious reasons, to Albania. There were large camps, so there is no application to Albania.

It is my understanding that most of them, those who have gone to Macedonia are simply going back, going to Serbia. Our goal is to have a multicultural society in Kosovo. We are extremely concerned about the departure of the Serbs; and we are concerned about attacks on the Serbs, just as we were concerned about the terrible tragedies that occurred to the Kosovar Albanians.

Mr. COOKSEY. I would hope you are because they are people, too. You know, another question, and I don't know who should answer this, because I assume none of you have a military background, but is it true that the NATO commander who is an American general requested the British to intercede as the Russians were heading toward the airport at Pristina? Was that command given and is it true that General Jackson failed to respond to that command?

Mr. PARDEW. Congressman, I don't know the answer to that.

Mr. COOKSEY. It is a question that should be answered to find out how strong NATO is and what the command structure is. I

know it is probably not relevant to people that have no military background, but...

Mr. PARDEW. I have that, it is somewhat dated. But I honestly can't give you the factual answers to that question, because I simply don't know the facts.

Mr. COOKSEY. Tell me about Thaci.

Mr. WAYNE. Thaci.

Mr. COOKSEY. Thaci, Thaci, short A. Does he have the potential to be a reasonable leader of Kosovo?

Mr. PARDEW. It remains to be seen. He stepped forward at Rambouillet. He clearly has leadership, natural leadership ability. He has sort of come up out of the ranks of the KLA. He has represented them.

Mr. COOKSEY. What was his background? What did he do before?

Mr. PARDEW. He was in the KLA, in the military—I don't know.

Mr. COOKSEY. Educational background, professional business?

Mr. PARDEW. I can get you that.

Mr. COOKSEY. I would like to know, I would be interested in seeing that.

Mr. PARDEW. All right.

Mr. COOKSEY. You know the thing that has created a problem for victims on both sides of the issue, both sides of the front is that—and this is a general statement with its potential shortcomings—is in this day and time, if you look across the full panorama, we have had a lot of leaders in this country and Canada and Europe and NATO and Yugoslavia that are narcissistic, that are people who are skilled communicators, take advantage of television, and they don't always do what is best for their people.

And Milosevic, if you really look into his background, fits into that mode. He did a lot of what is good for them at the time, what made them feel good at the time; Milosevic actually lived in this country—he worked on Wall Street, as you know, and is well educated. He is a lawyer, whether that is such a good education, but anyway it is an education. A lot of people have fallen victim to these flawed personalities with all the frailties that go with them.

I hope that we get some real leaders like Churchill and Thatcher, not to mention any of our great leaders. But are there any of those on the forefront in the Balkans?

Mr. PARDEW. I think there are people with that kind of potential, but they haven't appeared yet.

Mr. COOKSEY. Thank you. Would you like to comment?

Mr. WAYNE. I was just going to say, of course, this is one of the reasons why we have tried to support free media development in Serbia and the former Yugoslavia and elsewhere—because it is so important to give news access to people, so that there is not only one media outlet that can be dominated by a regime or a magnetic personality.

Chairman GILMAN. Thank you, Dr. Cooksey.

Chairman GILMAN. Mr. Burr.

Mr. BURR OF NORTH CAROLINA. Thank you, Mr. Chairman. I have to make a statement at the beginning. Ever since the issue of our policy there has come up, I envision those who deal with policy, with this big kaleidoscope, and every time they look in it they

see the pretty colors. It is always the same, unfortunately, nothing outside of the kaleidoscope ever affects the inside of what you see.

I have a real question as to whether we are being realistic in what can be achieved, or whether our goals are limited to what we see in that kaleidoscope when I hear the perfectly multicultural area that we would like to have. I won't get into the realities of whether we can get there or what the cost is, both financial or human. Let me just ask, and I will address it to anybody who would like to answer, did Kosovo come up in the Dayton talks?

Mr. PARDEW. Not in a significant way.

I can speak of that because I was there.

Mr. BURR OF NORTH CAROLINA. Why don't you speak of it?

Mr. PARDEW. OK. There may have been some discussions of Kosovo, but it was not a major objective in the Dayton talks, because the Dayton talks were focused on the tragedy in Bosnia that had caused two and a half million refugees and 250,000 dead. Kosovo was, at that time, relatively quiet. In the meantime, Bosnia was on fire and it was the requirement and the belief at that time that what had to be focused on was the immediate fire that needed to be put out, and that if we got into larger issues at that point in time, more distant issues, that it would detract from our ability to bring the Bosnian conflict to a close.

Mr. BURR OF NORTH CAROLINA. Dayton was not about stability in Bosnia?

Mr. PARDEW. Dayton absolutely was, absolutely about stability; but it was focused on Bosnia, and we did not feel as though we could weaken our effort on Bosnia by taking on any number of other issues. I mean, there is also Montenegro. There is Vojvodina. There are any number of issues.

Mr. BURR OF NORTH CAROLINA. When did this dissolution of Yugoslavia start?

Mr. PARDEW. Eighty—well, you could probably trace it back to Tito's death, but it started to come apart in—

Mr. BURR OF NORTH CAROLINA. Certainly in the late eighties, would you agree?

Mr. PARDEW. Late eighties. Whenever Slovenia—

Mr. WAYNE. 1992?

Mr. PARDEW. No, it actually—I believe it started in--.

Mr. BURR OF NORTH CAROLINA. So we had concerns about not only the stability of Bosnia at the time of the conflict, but we knew then that we had a much bigger stability question, didn't we?

Mr. PARDEW. Well, when Yugoslavia started to come apart, it, of course, raised stability concerns, that is right.

Mr. BURR OF NORTH CAROLINA. Did anybody at Dayton say, gosh, we don't have to address Kosovo because that won't be a problem?

Mr. PARDEW. No.

Mr. BURR OF NORTH CAROLINA. In hindsight, do you think we should have addressed Kosovo?

Mr. PARDEW. No. I think it took all the energy that we could muster to end the war in Bosnia at Dayton. I personally believe that had we decided to take on other issues at that time, it would—it may have caused that very difficult negotiation to fail.

Mr. BURR OF NORTH CAROLINA. The Administration officials have said they prefer Montenegro to remain with a restructured Yugoslavia. Can a restructured Yugoslavia work?

Mr. PARDEW. With proper leadership, it can.

Mr. BURR OF NORTH CAROLINA. Describe leadership. Is that—

Mr. PARDEW. Something different than what we have right now.

I don't want to be glib, Congressman. It is very difficult to deal with the impulses of independence in Kosovo or Montenegro or perhaps other places with Slobodan Milosevic leading the government in Belgrade, because of the repressive measures and the anti-democratic policies of that government.

I believe that over time, with the change of leadership, with the hope of economic development and democracy, that the populations there can look at their situation and make more rational judgments than perhaps we would make at this point in time with the terrible leadership that they have in Belgrade. That is what I believe.

Chairman GILMAN. The gentleman's time has expired. Thank you, Mr. Burr.

Chairman GILMAN. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman. I know we are anxious to go, but one question for the good of the world order. I guess I would address this to you, Mr. Wayne. The Montenegrins indicate they are going to try to conduct negotiation with Serbia about new constitutional arrangements for a looser Federal system. If those negotiations fail—and as they want the deadline in September, it seems to be likely—and they take unilateral action to change their status or role within the federation, the Federal Republic, is the U.S. prepared for an outbreak of violence in Montenegro?

What specific steps have the U.S. and NATO taken to prepare for humanitarian assistance and for military intervention in Montenegro? Why is it, in your judgment, that NATO and the U.N. have not accepted the Montenegrins' offer to base their operations for Kosovo in Montenegro in order to establish a U.N. and a NATO presence in Montenegro, in light of what seems to be about to happen in September?

Mr. WAYNE. Well, let me make a couple of initial comments, Congressman, and then ask Ambassador Pardew to continue on.

One is that we have worked very hard, indeed, to support the democratically elected regime in Montenegro as have our friends and allies in Europe. As you may know, the prime minister was present in Sarajevo at the Stability Pact summit, and the President met with him in Sarajevo. He has visited and been received in a wide range of European capitals, and I think he is even in Moscow today—and yesterday—being received at a very high level.

As you also know, NATO issued a policy statement on Montenegro very clearly saying that any move by Milosevic to undermine that democratically elected government would—to get it right—be considered provocative and would be dealt with appropriately.

Of course—excuse me, I meant President Djukanovic, not the prime minister, earlier.

So we have all tried to send a very clear message of support and to make clear that if there were any moves against that government it would have very, very serious consequences.

Similarly, we have acted concretely to support that government financially and with technical assistance; and Ambassador Napper can say more about that.

Right now, we certainly do support the democratic leadership in Montenegro, which still prefers to seek a *modus vivendi* within the FRY. So we are supportive of their efforts to have these talks. I think we, you know, will continue to express our support for their efforts to that regard.

As far as looking ahead, I guess I would say, I don't think right now it would be productive to address the hypothetical that you posed. But let me ask Ambassador Pardew if he wants to comment.

Mr. PARDEW. Well, just to reinforce the point that NATO has been very firm on Montenegro; in fact, in their summit statement in April they said we affirm our strong support for democratically elected government in Montenegro. Any move by Belgrade to undermine the government of Djukanovic will be met with grave consequences.

So NATO is on record as taking Montenegro very seriously. We have supported and will continue to support Djukanovic as the democratically elected head of that government, and we want to work with him as a model for change in Serbia.

As to whether we have NATO there or not, that is a difficult question. We don't want to put NATO in an awkward position relative to the FRY and so forth.

We are looking at that, just as we are looking at ways that we can remove some of the sanctions restrictions on Montenegro without benefiting Belgrade.

These are important points. They are delicate, however, in terms of putting NATO or passing NATO through Montenegro, but we are looking at it.

Mr. BEREUTER. Gentlemen, my leading question is your Capitol Hill warning to be prepared to avert or fight a new Balkan conflict sometime after December, at the wrong time of the year.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Bereuter.

Again, we want to thank our panelists for being with us. We regret the interruptions that delayed your testimony.

Without objection, the Chair will submit questions in writing on behalf of Members of the Committee concerning issues reviewed in this hearing for an expeditious response in writing by the Department of State, and there will be three additional days for Members to submit additional material for the record.

Once again, our thanks go to our official witnesses for their testimony today.

We will now proceed with our second panel.

Mr. BEREUTER.—[Presiding.] As the next panel comes forward, I would like to introduce them and say a word or two about them. First, Mr. Janusz Bugajski is Director of the East European Studies at the Center for Strategic and International Studies here in Washington, D.C. He has previously worked with Radio Free Europe in Munich and has served as a consultant to the U.S. Agency for International Development, the Defense Department, the Rand Corporation, BBC Television, and other organizations. He has lec-

tured at several universities and institutes and has published numerous books and articles on East Europe.

Professor Janine Wedel is an Associate Research Professor at George Washington University and a Research Fellow at the University's Institute of European Russian and Eurasian studies. She has received a number of awards from organizations, such as the National Science Foundation, the MacArthur Foundation, the Woodrow Wilson International Center, the National Council for Eurasian and East European Research. She is a three-time Fulbright fellow. Her latest book, "Collision and Collusion: The Strange Case of Western Aid to Eastern Europe," was published just last year.

Our final witness of the three, Dr. Daniel Serwer, is Director of the Balkans Initiative at the United States Institute for Peace here in the Nation's Capital. Dr. Serwer has received a Ph.D. from Princeton University, served at the Department of State as Deputy Chief of Mission and Charge'd'affairs at the Embassy in Rome, as a United States special envoy and coordinator for the Bosnian Federation—director of European and Canadian Analysis, and finally as Minister Counselor at the Department of the State. At the Institute of Peace, he has co-authored a number of studies on the Balkans States and worked on regional security issues in the Balkans.

Mr. BEREUTER. Panelists, we are very pleased to have you here to share your wisdom with us on the important subject of the hearings today. I just would note that all of your statements will be made a part of the record and you may summarize your written statements.

Mr. Bugajski, we will start with you and welcome.

STATEMENT OF MR. JANUSZ BUGAJSKI, DIRECTOR, EAST EUROPEAN STUDIES, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. BUGAJSKI. Thank you very much and good afternoon, Mr. Chairman. Thank you for including me in this important hearing.

I think it is very important for Southeast Europe and I hope it will enhance the U.S. agenda at this very critical period in Balkan history.

I would like just to summarize my written statement in a few comments. I believe that the post-war commitment of NATO, the United Nations, and the EU to Balkan reconstruction does offer a unique opportunity to build stable institutions and market economies throughout Southeast Europe. However, to ensure success, I think consistent progress must be made in six key areas. Otherwise, resources will be squandered, and the region will continue to drift toward isolation from Europe.

These are the six that I would like to outline.

First, political stability. Long-term governmental stability will remain an essential prerequisite for pursuing any kind of economic and institutional reforms. Each Balkan government, I think, needs to ensure programmatic continuity between different Administrations so that the reform process does not veer between periods of progress and reversal. Hence, I would say all Balkan countries require a cross-party commitment to the goals of economic trans-

formation and institutional reform, much as we have seen in Central Europe in the past 10 years.

Second, institution building. Successful political stabilization requires the consolidation of authoritative democratic institutions based on firm constitutional principles. The organs of government need to have public confidence and the commitment of all major political players. In this context, extremist parties advocating authoritarian solutions must be marginalized so that they do not undermine the Nation's party politic.

Third, civic society development. Each Balkan country must develop a more effective alternative media and a range of citizens' interest groups that will significantly enhance the democratization process. In the area of minority rights, each Balkan state must pursue policies that comply with international obligations. Furthermore, development of a multifaceted civil society will undercut the focus on exclusive ethnic questions that undermine democratic development.

Fourth, economic progress. A priority for each Balkan government is the consolidation of a credible market reform program. All too often in the past, vested interest groups have stalled this process to their advantage or politicians have compromised on many essential market components, for example, by maintaining large scale state subsidies to unprofitable industries or failing to ensure transparency in privatization. A serious and far-reaching reform program cannot be held hostage by any political party or economic lobby.

Fifth, organized crime fighting. Public security organs must be empowered to deal with organized crime and corruption. Both an internal but also an international strategy must be pursued by each Balkan state working in tandem with neighbors. The pervasiveness of politically connected criminality threatens to obstruct the region's reform process. It consolidates the control of special interest groups, encourages radicalism, dissipates public confidence in the transformation process and jeopardizes economic progress.

And sixth, regional cooperation. Regional cooperation, I think, can be buttressed through a range of institutions and a whole array of arrangements: governmental, military, parliamentary, political party, local government, as well as the NGO sector. Economic transformation must also be a region-wide priority, as the failure of economic reform will directly challenge all nearby states.

More emphasis also needs to be placed on building economic networks that enhance the reform process in each country. In sum, I would say the Balkan countries must take a much more active role in promoting regional stability and regional development and not focus only on their domestic concerns.

In conclusion, I would just like to say, reconstruction not only provides the opportunity for material development, economic development, but also for representative democracy. The commitment to reconstruct must be matched by a commitment to reform. The ultimate objective for all these states must be inclusion and integration in the major European and transatlantic institutions based on solid democratic and capitalist foundations, and I believe the U.S. can clearly assist in this process. Thank you.

Mr. BEREUTER. Thank you, Mr. Bugajski.

Mr. BEREUTER. We would now like to hear from Dr. Wedel. You may proceed as you wish. Your entire statement is a part of the record.

**STATEMENT OF PROFESSOR JANINE WEDEL, ASSOCIATE
RESEARCH PROFESSOR, GEORGE WASHINGTON UNIVERSITY**

Ms. WEDEL. Thank you very much for the opportunity to speak with you today. My comments today are based on an extensive study of U.S. assistance to Central and Eastern Europe, Russia and Ukraine over the past 10 years.

I am not an expert on the Balkans, but my research on U.S. assistance programs has given me an acute awareness of the promises and pitfalls of aid to Eastern Europe, many of which are discussed in my recent book, "Collision and Collusion: The Strange Case of Western Aid to Eastern Europe," and in previous testimony before this Committee and others.

The following six cautionary lessons arise from my research:

First, we need to constantly remind ourselves that aid is by no means just a technical matter. It is not just about getting the economic prescriptions right. Aid is a complex task of societal, political and social challenges that must be taken into account if it is to have the desired stated goals. It must be well conceived, well planned and implemented systematically, in accordance with those challenges.

It is important that the beneficiaries of the aid are not just western consulting firms looking for fat contracts but also the people and the communities that we want to help.

It would be elusive to think that our aid programs alone could build democracies and market economies. On the other hand, poorly conceived and administered aid certainly can do damage, both to the region and to the image of the United States there. As Joseph Stiglitz, chief economist at the World Bank, once suggested, we should adopt, "a greater degree of humility . . . and acknowledgement of the fact that we do not have all of the answers."

Second, we should avoid the so-called "Marriott Brigade" syndrome. The Marriott Brigade was a term the Polish press coined in 1990-1991 for the short-term "fly in, fly out" consultants who were paid to deliver technical assistance to Eastern European governments and officials. The consultants stayed at Warsaw's pricey Marriott and hurtled among five-star hotels across the region, collecting data and advising on economic and political reform.

Recipient officials, many of whom were new at their jobs, welcomed the consultants at first but after hundreds of fact-finding and first meetings with an endless array of consultants from donor organizations and international financial institutions, many officials were disillusioned and frustrated. We must avoid that situation in the current effort. Bringing in team after team of high-priced consultants, many of whom will never return, creates a burden for local officials and stirs resentments against the consultants and the donors.

It is important not to duplicate fact-finding and to keep "first visits" to a minimum. As we have seen in Eastern Europe, local perceptions of aid on the part of officials, politicians, and citizens matter and sometimes even shape aid outcomes.

Third, it is crucial to carefully and prudently select our prospective partners and representatives. We must be careful not to play favorites among competing local interests and beneficiaries. The record of U.S. aid to Russia in particular shows that selecting specific groups or individuals as the recipients of uncritical support both corrupts our favorites and delegitimizes them in the eyes of their fellow citizens. Given the discretion that political functionaries in the region have to appropriate large portions of state resources and budget to themselves and to their cronies and the considerable corruption on all sides, there is an ever-present danger of diversion of foreign aid. We must also be aware of potential collusion among consultants and local elites toward that end.

As we have learned, or should have learned in Russia, putting aid in the hands of just one political-economic group or clan creates opportunities for the misappropriation of moneys to private and/or political purposes and very quickly undermines donor efforts at democracy building.

Further, experience shows that it is simply wrong to think that institutions can be built by supporting specific individuals instead of helping to facilitate processes and the rule of law. Many reforms advocated by the international aid community, including privatization and economic restructuring, depend on changes in law, public Administration and mindsets and require working with the full spectrum of legislative and market participants, not just one group or clan.

Fourth, we should help to build administrative and legal structures at the level of cities, regions, and towns. In general, the lower the administrative level of our efforts, the better. Any donor efforts must depend on not just speaking with politicians at the top but on working with an array of local people and communities. U.S. officials and advisors need to establish contacts with a wide cross-section of the regional and local leadership—politicians, social and political activists, and community workers. For example, some aid-funded programs to develop the economy from the bottom up have been useful and have created goodwill.

Fifth, we should be clear-eyed about the real potential of the so-called “independent sector” and nongovernmental organizations or NGO’s. Donors often invest high hopes in the ability of NGO’s to build democracy. They often assume that NGO’s are similar to their western counterparts, despite the very different conditions under which they developed and operate. But in Eastern Europe, the officials, the individuals and groups charged by the west with public outreach—often the most vocal local players—were not always equipped for that role. At least in the early years of the aid effort, NGO’s often distributed western perks to themselves and their peers on the basis of favoritism rather than merit. Here again, there can be no substitute for donor knowledge of local politics, conditions, and culture. The challenge for the donors is in enlisting the expertise of people sufficiently informed, intuitive, and committed to aid efforts in the new environment and in designing assistance to foster those efforts.

Mr. BEREUTER. Dr. Wedel, I am sorry I am going to have to interrupt you because I have just a couple of minutes to get to the vote. I know we haven’t come to your last concluding remarks and

we will pick that up when we come back. One of my colleagues may take the Chair in five minutes or so. If not, we will be back at it in about ten. So at this point, hold your thought for the final conclusion, and the Committee stands in recess.

[Recess.]

Mr. COOKSEY.—[Presiding.] Professor Wedel, if you would proceed, we are passing the baton.

Ms. WEDEL. Thank you. I won't reiterate my first five points.

My sixth and final point is that the United States should embark on a broad-based policy to encourage governance and the rule of law. To foster reform, I have learned from my study in Eastern Europe that donors need to work with a broad base of recipients and support structures that all relevant parties can participate in and effectively own, not just one political group or clan or faction.

This is, admittedly, not an easy task. The major challenge is how to help build bridges in a conflicted environment with historical distrust and many competing groups and very few cross-cutting ties among them.

Although by no means easy, the task of aid workers is precisely to build contacts and to work with all relevant groups toward the creation of transparent, nonexclusive institutions and against the concentration of influence and aid in just a few hands.

Thank you very much.

Mr. COOKSEY. Just before we move to the next witness, you are an anthropologist by education, are you not?

Ms. WEDEL. I am.

Mr. COOKSEY. In ten words or less, what do you think of the prospects of achieving this last, this sixth goal, about the broad-based policies and about the aid workers being able to accomplish it, viewed in light of the history that has occurred in this area?

Ms. WEDEL. I began my statement by saying that I am not an expert on the Balkans, but my experience in looking at aid programs in Central Europe, Russia and Ukraine is that there are competing political, economic, financial groups at the very local level. Russia by the way, is a very difficult environment to work in even though the historical animosities aren't nearly as much at the forefront and the country has not been wrecked by war as have been the Balkans. The task is to begin to create incentives for diverse groups to work with each other. It is critical not to play favorites by giving one group aid resources over others—that is a very destructive aid policy.

My experience is that can be done. It is not easy to do. It requires a lot of local knowledge, but money can provide an incentive, and if you find experts who know the local situation, they can help put together programs that will provide incentives for people to do reasonable projects. It can be done but it is not easy. It requires a lot of local knowledge.

Mr. COOKSEY. And this gets back to your third point about prudent selection of the partners that you would be doing this with?

Ms. WEDEL. Absolutely.

Mr. COOKSEY. What model do you think exists for this having been done successfully? Where in Europe or any other part of the world? Can you think of a particular place?

Ms. WEDEL. Yes. I would point to several kinds of programs. One that I looked at very closely was a program that was in part sponsored by the Congressional Research Services and some of the congressional Committees, and that operated effectively in Poland and, I believe, in some countries further east.

That program was to build an institution to provide information and infrastructural support to the Polish Parliament—to everybody in the parliaments. At first, in 1990, 1991, 1992, this was an absolutely revolutionary idea. “You mean you are going to work with those guys, not just us?” That was a revolutionary idea. But eventually people saw that it made sense. They saw that independent information, that an infrastructure, a system could be built that everyone could use; that it wasn’t just about politics—just for me and my group—but that the benefit would go to all groups.

We eventually saw in Poland the value of having such an independent institution modeled after the Congressional Research Services, and aid from the United States played a major role in helping to create that.

As I said, it was really a different concept at the beginning because people were not interested and certainly not accustomed to sharing information with a different political-economic group. It was a foreign idea, but it could be done if you had the right people on the ground who understood the problems and had the right resources.

Mr. COOKSEY. Can you come up with another example? Because really Poland is a rather homogenous group with one religion and they have done very well there, but the Polish people have a lot more structure than anyone in the Balkans, it seems.

Ms. WEDEL. Well, that is what it may look like from the outside, but, in fact, there were many groups that were competing on the ground for resources. And when you come in with foreign aid, quickly you find that you have a lot of competitors for that money. I think in that respect, the Balkans will be very similar. The animosities may be longer lasting, deeper.

Mr. COOKSEY. From an economic standpoint?

Ms. WEDEL. Sorry?

Mr. COOKSEY. From an economic standpoint? From the fact that they are all looking for this aid, this economic aid, and you think they can overcome their ethnic, religious, racial diversity then?

Ms. WEDEL. As I stated in my fourth point, I think that it is very important to emphasize local administration and legal structure and to help to build those infrastructures. Without those infrastructures in place, there is probably not much hope of overcoming those animosities. The only choice we have is to help develop those infrastructures. That is the only choice we have. If we come in and say we are going to support this group or another, we are, at the outset, doomed to failure.

Mr. COOKSEY. Thank you.

The Chairman is back.

Mr. BEREUTER.—[Presiding.] Dr. Cooksey, thank you for filling in; and, Dr. Wedel, for concluding your testimony.

We would like to go back, though, to hear from Dr. Serwer to make his presentation. Your entire statement will be made a part

of the record. You may proceed as you wish, and then we will open it up for questions for all three of you.

**STATEMENT OF DANIEL SERWER, DIRECTOR, BALKANS
INITIATIVE, UNITED STATES INSTITUTE FOR PEACE**

Dr. SERWER. Thank you, Mr. Chairman. I would like to start by thanking Mr. Smith for his kind opening remarks about previous testimony before the Helsinki Commission.

My name is Daniel Serwer. I direct the Balkans initiative at the U.S. Institute of Peace, which takes no positions on policy issues. The views I express here are my own. But the Institute is well-known for its efforts to promote democracy in Serbia, reconciliation in Bosnia and Herzegovina, and a regional approach to the Balkans, one that emphasizes preventive diplomacy and peaceful conflict resolution.

The main U.S. Interest in the Balkans is stability. Instability there cannot be ignored, because of its effect on our European allies and on American public opinion. There are no vital resources at risk. Transportation routes through and near the Balkans are not critical to the United States and no Balkan country threatens U.S. or Allied territory.

The United States has nevertheless found itself leading the NATO alliance twice into air wars in the Balkans, followed by expensive ground interventions.

Why? What we have seen in Bosnia and in Kosovo is the failure of preventive diplomacy. By not undertaking early and relatively cheap efforts to prevent conflict, we have been forced to intervene after conflict has begun at far greater cost. The exception proves the rule: in Macedonia, early deployment of a small U.N. peace-keeping force and an energetic mission from the Organization for Security and Cooperation in Europe has so far allowed a healthy democracy to develop in that ethnically divided country, preventing a conflict that many thought inevitable.

Are there other predictable conflicts that could break out in the Balkans? Yes, is my answer. Are we and our allies doing what is necessary to prevent them? "No." There are a number of laudable efforts under way, but we need to be doing more.

The main threat to Balkans stability today is the same as 10 years ago: The Milosevic regime in Belgrade, which has used conflict against non-Serbs as a means of staying in power. Milosevic will strike again, perhaps in Montenegro or in Sandjak, an area almost evenly divided between Muslim and Orthodox Slavs, or in Vojvodina, where there are Hungarian and Croat minorities. In each of these areas, the international community should be undertaking preventive efforts aimed at promoting inter-communal understanding and ensuring that Belgrade cannot exploit ethnic strife.

The regime may also strike next against discontented Serbs, who are today the most serious threat to Milosevic's hold on power. Courageous people have been demonstrating against the regime throughout Serbia since the end of the war, but until last week U.S. assistance for democratization there was frozen. There is still an urgent, immediate need for small amounts of money to support those seeking democratic change in Serbia.

Friday in Sarajevo, the President announced a \$10 million program for Serbian democratization, doubling the pre-war amount. This is a step in the right direction, but still short of the resources the Institute's Balkans working group has recommended and far less than the amount Senator Helms has advocated. The President's program is a good first step, but a major increase will be needed next fiscal year.

Mr. Chairman, conditions in Serbia do not favor the development of democracy. Poverty, disillusion, and resentment could create a volatile situation this winter. I believe it is important for the West to provide humanitarian assistance to Serbs and even to repair essential humanitarian infrastructure, provided the resources and credit cannot be diverted to the Milosevic regime. This would mean providing assistance through opposition-controlled municipalities, nongovernmental organizations, and the Church.

At this point, Mr. Chairman, I would like to submit for the record an institute paper called Moving Serbia Toward Democracy, which includes a number of ideas along these lines.

Mr. BEREUTER. Without objection, that will be the order.

[The information referred to appears in the appendix.]

Dr. SERWER. Thank you. We should also be supporting fragile democracies in Albania and Macedonia that could collapse under pressure of their own internal problems. The main issue in Albania is security. A small NATO presence could go a long way toward helping Albania buildup its own security forces. I have been informed this morning, Mr. Chairman, that the North Atlantic Council on Friday has approved the continuation of a small NATO force in Albania.

In Macedonia, the issues are both economic and inter-ethnic. Small resources invested now could prevent future interventions a thousand times more costly.

Bosnia and Kosovo will, of course, continue to attract the bulk of U.S. and Allied resources. Failure of either intervention would not only destabilize the Balkans but also create big problems elsewhere. But in the rush to intervene, we have all too often failed to exploit indigenous capacities. This is especially damaging in Kosovo, where before the war an extensive civil society existed. Indigenous Kosovar institutions should be empowered rather than swamped.

In Bosnia, the missing ingredient is reconciliation, which is impossible so long as indicted war criminals are at large and their associates occupy positions of power. NATO should arrest Radovan Karadzic and any other indictees still at large in Bosnia and Herzegovina. It will then be possible to mount a serious effort to enable people who want to do so to return to their homes.

No less important is the right of Serbs to return home, especially in Croatia and in Kosovo. Neither should enjoy the full benefits the United States and its allies have to offer until they are prepared to establish a rule of law that protects all people, as well as the open media and transparent election processes required in a democracy.

Mr. Chairman, the President went to Sarajevo last week to launch a Stability Pact that should give a sense of direction and commitment to all allies and to the democracies in the region. That

pact must now fill its political, economic, and security baskets. Empty promises will not do the trick. It is especially important that the European Union accelerate its opening toward the Balkans, forming a customs union and encouraging monetary stabilization through the use of the Euro. Europe, because of its proximity, is vulnerable to Balkans instability and should bear most of the burden of bringing peace and prosperity to the region.

But without U.S. Commitment and leadership, the task will not get done. As we enter the 21st Century, the Balkans must not be allowed to generate the kinds of conflict and instability that have marred their history in the 20th.

Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you very much, Dr. Serwer.

Mr. BEREUTER. I would like to begin with a few questions. I will turn to Mr. Cooksey then.

Mr. Bugajski, you talk about the institutions of the civil society as a part of your statement. I am wondering if you would tell me what your thoughts are about us overcoming the ethnic/religious hatreds that have existed in so many parts of Yugoslavia and have been reignited in Bosnia, in Kosovo. Is it possible, in the shorter term for the next generation or two, for these people who have seen atrocities committed against each other, renewing memories of the atrocities committed in World War II by one group against another and in some cases by both sides, is it possible for these people to live together and to begin to restore in the short term the elements of a civil society?

Mr. BUGAJSKI. Thank you. Well, let's put it this way: Inter-ethnic reconciliation is a long-term process, but I think very concrete steps in that direction can be made; first of all, by the ouster or replacement of the very political forces that have promoted ethnic division, ethnic conflict. Ethnic conflict was not inevitable in the Balkans, just as it isn't anywhere in Europe. It was deliberately promoted by communist politicians in order to stay in power.

Second, I think justice needs to seem to be done. That is why I completely agree that war criminals such as Karadzic, Mladic, as well as Milosevic and his people need to be arrested, need to be tried. Justice needs to be shown to be done as well as being done.

Third, I do think there needs to be much more work at a local level. I think this has been part of the problem in Bosnia, why refugees haven't returned, because some of the nationalists who promoted the war are still in power. They still control the local economy; they control the local political system.

So I think a lot more work needs to be done at the local level to build the very institutions that can promote at least ethnic coexistence, if not ethnic harmony, but it will be a long-term process.

Mr. BEREUTER. Thank you.

Mr. BEREUTER. Professor Wedel, I was very pleased to hear some of your categorization of the mistakes that had taken place in our assistance programs and other international assistance programs for eastern and parts of Central Europe. Not to belittle your research, but some of them seem too self-evident and predictable, but I like the way that you apparently have categorized them. I want to read your book.

The Marriott Brigade syndrome, for example, caught my attention. It seemed to me, from the beginning, that there was kind of an executive branch pork barrel that took place with incestuous relationships between people in government: in AID, above AID in State, with the people that they knew and had worked with in other institutions here and in other kinds of elite educational institutions, with people in the beltway bandit organizations today. Just an incredible amount of money spent, as you said, making first-time visits all the time with great resentment.

We knew that wouldn't work. We knew that was a waste of resources. We knew it wasn't the best use of resources in any case, but how do we keep people who make those decisions from engaging in this kind of pork barrel activity?

That is really what it is. Not by the legislative branch but by the executive branch. There was very little earmarking of money for particular programs or institutions by Congress in this time that went by, but that was not the case in the executive branch. How do we avoid doing something that is obviously not the most efficient use of our resources?

Ms. WEDEL. What you are describing is at least in part a symptom of the fact that the aid effort was very scattershot, not very well planned, and not exactly high level. Rhetorically, it was always compared to the Marshall Plan, but that was a fallacious comparison, not only because there was so little capital assistance available in comparison but also because it was not a particularly high level effort and it was constructed so that lots of different groups got a piece of the pie. Once you have that setup you are naturally going to have many people who are going to be vying for contracts.

So the first thing is to have a very well-planned, well-conceived aid effort, which isn't set up so that everybody gets something. It must have a higher level of leadership so it can have a higher promise and potential.

Mr. BEREUTER. Thank you. I would ask Dr. Serwer a question or two and then turn to my colleague.

As you point out, the emphasis of the United States should be on stability in this region. You talked about the need for preventive action; and I think you are absolutely right, that it is self-evidently important. I know there was a high official ministry in the Federal Republic of Germany who looked at the situation, eventually resigning because he felt so guilty about the decision that had been made to recognize the independence of Slovenia, knowing full well what that would lead to in Croatia. Despite all of the advice from other countries to the contrary, Germany took a very unconventional step for them in going out front on something. One of the lessons I draw from this, which is tough for an American to conclude, is that there are some things more important than self-determination and one of them was to focus on stability for the region. Perhaps you heard my comments about Montenegro and the invitation to the U.N. and NATO and the kind of talks in which they hope to be engaged in September with Belgrade relating to a looser Federal structure in Yugoslavia, and the likelihood of the lack of success for that effort.

What do you think we should be doing now, speaking of preventive action, in Montenegro to keep that from degenerating into the next Balkan conflict? And, what do you think perhaps we could have done when we had the first engagement of Croatian and Serbian troops in eastern Croatia?

Was that a time when we could have militarily engaged if the U.N.—excuse me, if NATO was ready in this post-cold war era?

Dr. SERWER. It is difficult, Mr. Chairman, to second-guess people about things that happened in Croatia that long ago, but your question about Montenegro is a very current and difficult one, I will say that.

I believe that we should be establishing as much of an international presence in Montenegro as we possibly can at this point, and I find ambiguous—dangerously ambiguous—the Administration's statements about what it will do if Montenegro is attacked. I think we know from the past that ambiguity with Mr. Milosevic leads to a continuous raising of the threshold for action; and raising the threshold for action leads to the need for greater and greater responses.

One British magazine has counted 44 final warnings to Mr. Milosevic since 1991. I am not advocating one more final warning about Montenegro, but I do believe that the Administration has to think hard about what it will do if Montenegro is attacked. I think they have to recognize that within the Alliance there is not a great deal of support for going to war again over Montenegro. They also have to realize that the best prevention is deterrence in this case; the Montenegrins are going to have to be strong and the international presence in Montenegro should be strong.

Mr. BEREUTER. Thank you, Dr. Serwer.

I would like now to turn to Dr. Cooksey for questions he may have.

Mr. COOKSEY. Thank you, Mr. Chairman.

I don't know whether you heard my comments on my impression that most of the world leaders of this generation are narcissistic whimpy-type guys; and Milosevic was that way in his youth in his high school—poor health. And yet once they gain some position of power, they suddenly become warriors. Maybe they are too young to be cold war warriors, but warriors they are in their own mind, and so forth.

What lessons do you think that we should have learned in Bosnia that we can translate into avoiding mistakes in this area in Kosovo and dealing with what remains of Yugoslavia, Dr. Serwer?

Dr. SERWER. My view, Mr. Cooksey, is that there are several lessons that should be learned. The first lesson is that in these international interventions, we can't afford a divided command. We need a unified command, not only of the military but of the civilians as well.

Mr. COOKSEY. Can I ask a question? Would you elaborate on the question that I asked in the first meeting about stopping the Russians on their way to the airport? Was that a manifestation of what you are talking about?

Dr. SERWER. It was a manifestation on the military side of a lack of unity of command, both in Bosnia and in Kosovo; and I think

it was a dangerous moment and an edifying moment. But I was referring to something different.

I believe that the pattern we followed in Bosnia of dividing the military from the civilian command and having a military commander who is not responsible for civilian implementation and a civilian commander who can't command military forces was a mistake in Bosnia. It was done to satisfy the United States, which wanted to maintain intact the NATO chain of command.

Mr. COOKSEY. You are referring to Bosnia now?

Dr. SERWER. Yes, I am referring to Bosnia now.

Now, in Kosovo, in theory, the civilian and military commands have, again, been separated, and I think that was a mistake. In practice, however, as somebody indicated already this morning, the military is in charge in Kosovo at this moment.

Why is that? The reason is that there is no preparedness on the civilian side. The military worries when its preparedness falls a couple of percentage points off 100 percent, as rightly it should. There is no concept of preparedness on the civilian side, except perhaps among the NGO's who do humanitarian relief work, but the U.N. essentially has to go out and hire all of these folks every time there is an intervention. There is very, very little sense of preparedness. I think we are seeing some of the negative consequences of that in Kosovo today in the truly tragic treatment of the Kosovar Serbs.

So I believe in unity of command. I believe the command should have been unified in Kosovo under the military commander, a NATO military commander, at least for the first six to eight months of the intervention. I think the ambiguity about who is really in charge is most unfortunate in Kosovo.

I think there are other things we should have learned from Bosnia, including that there are indigenous organizations that can be used in the peace process. And in Kosovo you had a very extensive array of nongovernmental organizations, including a whole educational system which was nongovernmental because it existed independently of the Serbian educational system.

One of the incredible things about Kosovo today is that the kids are back in school; that alternative educational system has enabled children to go back to school almost immediately. Yet the international community is depending very little on these indigenous capacities and has to some degree even avoided allowing them access to the U.N. and to the international structure being created. This is clearly an error. Kosovo is liberated territory. It is not conquered territory. It should be treated the way liberated territory is treated, which includes the most rapid turnover possible of functions to local organizations.

Now, there is a big problem, because those local organizations are, of course, ethnically based for the most part, and that is where the U.N. and the NATO forces have to play a role in insisting on the ethnic integration of those institutions. You cannot have, in Kosovo, a true democracy that treats Serbs as badly as they are being treated today.

Mr. COOKSEY. When you referred to these indigenous organizations in the education system, you are telling me there is an edu-

cational system outside of the government's educational system; it is like private schools or parochial schools?

Dr. SERWER. They were schools that were created, Mr. Cooksey, by the Albanians when they were excluded from the Serbian educational system.

Mr. COOKSEY. From the public education system?

Dr. SERWER. Yes. So they are private in a sense. They were run mostly in people's homes. They weren't run in school buildings, and they have been reopened almost immediately with the return of the refugees and displaced people.

Mr. COOKSEY. Sounds similar to some of the debates we have had in this body.

Thank you, Dr. Serwer.

Thank you, Mr. Chairman.

Mr. BEREUTER. Thank you very much, Dr. Cooksey.

I would like to announce and introduce Elmer Brok, who is the new Chairman of the Foreign Relations Committee of the European Parliament, an old friend of this Member and many Members of the House of Representatives.

Great to have you here, Elmer.

Dr. Cooksey, would you see if Mr. Engel has any questions, and then would you conclude the hearing for me so that I can proceed with Mr. Brok?

I want to thank all of our witnesses for their effort today. It was very helpful to us.

Dr. Cooksey, I turn it over to you so that you may close out the hearing.

Mr. COOKSEY.—[Presiding.] Mr. Engel.

Mr. ENGEL. Thank you.

I just want to ask a couple of, I think, relatively quick questions. I have been perhaps the leading advocate in the House for independence for Kosova. The reason I have done it, and I am more convinced than ever that nothing else long range will work, is because I think that, first of all, the Belgrade regime has lost any kind of right that it ever had to govern in Kosova because of the ethnic cleansing that went on and all the other horrible things. I think that if NATO wants to treat Kosova as a protectorate forever and occupy it forever, then we can continue to do that. But, I think if we don't want to do that, we don't want U.S. troops on the ground forever, then independence is the only solution. I have often said that when the former Yugoslavia broke up, the other citizens of the former Yugoslavia, the Bosnians and the Croats and the Slovenians and the—who am I leaving out?

Mr. BUGAJSKI. Macedonia.

Mr. ENGEL. The Macedonians, all had the right to self-determination. I believe that the Kosovar people should have the same right, as well. I would like to hear what the panel thinks about that.

I want to also add that as someone who, again, is very sympathetic to what the Kosovar Albanians have gone through for many, many years, I, as strongly as anyone else, condemn atrocities committed on both sides. I think that the killing of the 14 Serbian farmers was unfortunate, as the killing of any innocent civilian is unfortunate. One of the things that I think we have to resist,

though, is to put them both on a moral equivalency as if somehow the atrocities have been equal on both sides.

While we must condemn them on all sides, and I condemn every atrocity, be it committed by a Serb or an Albanian, I think that we have to understand that the ethnic cleansing that went on—I heard one of my colleagues on the floor the other day say, well, it wasn't 100,000 ethnic Albanians that were killed during the NATO bombing campaign; it was only 10,000—and I thought, well, you know, if I had a family member who was one of the 10,000, that is no solace to me that it wasn't 100,000. So, I think we need to be careful about putting the atrocities on a moral equivalency. But, I am convinced more than ever that independence is the only solution.

So I would like to hear some of the comments. I know, Mr. Bugajski, we have had some discussion about this in the past. I would be interested in hearing what you have to say about this and the other Members as well.

Mr. BUGAJSKI. Thank you. I completely agree that without independence for both Kosovo and Montenegro, we are going to be faced with continuing instability, because Milosevic will continue to manipulate those differences, both ethnic and republican, within the remaining Yugoslavia. Yugoslavia is finished, and if we do not take appropriate action, if we do not have a clear objective, two or three years down the road we will be faced with a major policy problem, how to deal with a semi-independent Kosovo Administration and a Serbia that demands Kosovo back.

I think now is the time to decide on Kosovo's future status, not in two years, not in three years' time, and the only people who can decide are the population of Kosovo.

The other question as far as expulsion of Serbs or the fleeing of Serbs, I don't think there is any equivalence. The attacks on the Albanian population were government ordered, systematic, orchestrated, and planned well in advance and carried out with incredible brutality. What we are now witnessing in Kosovo is somewhat different. Quite frankly, I am surprised at the low level of revenge of a lot of returning Albanians. The number of deaths, I think, are under 100, on both the Albanian and Serbian side.

It is terrible, of course, that Serbs are fleeing, particularly the innocent ones, but I don't think it is systematic, this is not ordered by any Albanian organization. These are local, sporadic revenge attacks. All the more reason that we need a systematic system of justice in Kosovo, both to try the war criminals that are present, but also to prevent new crimes.

And, third, there is a third wave of expulsions which has not really been reported in the press, which is a continuing expulsion of Albanians from Serbia proper into Kosovo. Between 5,000 and 10,000 have already been forced out of their homes. We have been focusing on the Serbs that are leaving Kosovo. There is also a huge Albanian community within Serbia proper that is currently experiencing what is probably similar to what some of the Kosovo Albanians faced just a few weeks ago. Thank you.

Mr. ENGEL. Thank you, Mr. Bugajski. Dr. Serwer.

Mr. SERWER. Mr. Chairman, I wonder if I could also respond because I disagree with Mr. Bugajski on this point. I think, yes, that

the question of Kosovo's future status will have to be taken up. I don't believe for a moment that there is an equivalency between the dimensions of the horrors that were committed against the Albanians and what is going on with the Serbs today.

But I also believe that no people can claim independence under the circumstances that exist in Kosovo today. It is absolutely critical that we not embark on independence for states that do not have a rule of law, that do not have a democratic system in place. There is no question, quite apart from the question of equivalency, that the current vendetta against the Serbs in Kosovo is going to set back the cause of those who seek self-determination for Kosovo.

Mr. ENGEL. I understand my colleague has to go. So I will accede to that, and I thank him.

Mr. COOKSEY. Go ahead. Do you have another question?

Mr. ENGEL. I want to talk about the prisoners, the Albanian prisoners that were taken out of Kosovo into Serbia. We understand there are many, many Albanians, ethnic Albanians from Kosovo now in jails in Belgrade and in Serbia. I think that that is an issue that the West needs to raise. We, unfortunately, did not raise that issue when we negotiated the withdrawal of the Serbian forces.

And I just wonder if anybody has any comments on that.

Mr. COOKSEY. Yes, Dr. Serwer.

Dr. SERWER. Mr. Chairman, Mr. Engel, I think this is really a disaster story. I think we need to raise the diplomatic level of our protests on this issue. I was informed yesterday that Professor Bardhyl Caushi, whom I know personally from some Institute activities, was among those arrested and is now in prison in Serbia.

I find it outrageous that more has not been done on this issue, and I think we simply have to raise our voices and insist that these people be released.

Mr. ENGEL. Thank you. I will turn back the chair. I just wanted to say that I had an amendment which was passed unanimously by the House in a recorded vote, there wasn't one negative vote, demanding the release of these prisoners and the accounting for them.

I thank my colleague for his time.

Mr. COOKSEY. Surely. We want to thank our witnesses for coming today for their testimony, and, most importantly, for their patience with interruptions that we have. We still have to vote occasionally, you know.

The Committee may followup with additional hearings on this subject. This, I am sure, will be an ongoing issue and subject of discussion, and yet I feel that your testimony gave us and provided a really good foundation for where we need to go. Giving us good background and you have impeccable credentials, we are glad to have people of your caliber here. The Committee stands adjourned.

[Whereupon, at 1:33 p.m., the Committee was adjourned.]

A P P E N D I X

AUGUST 4, 1999

**Chairman Benjamin A. Gilman
Opening Statement
Hearing on "The Balkans: What Are U.S. Interests
and the Goals of U.S. Engagement?"
House International Relations Committee
Wednesday, August 4, 1999
10:00 A.M. 2172 Rayburn Building**

The Committee will come to order.

This morning's hearing will help the Committee and its Members to better understand what America's future role will be in the Balkans. As the United States enters its second peace-keeping mission in the Balkans—with no end to those commitments yet in sight—that question must be addressed.

Just last week, the President participated in a summit meeting on the region to show American commitment to a regional assistance initiative for Southeast Europe. We need to understand what that commitment will entail. Let me quote an editorial about that meeting from yesterday's Washington Post:

"Mr. Clinton came to the conference armed with some concrete promises...The Europeans, who have promised to take the lead in Balkans reconstruction, offered no such specifics. If the stability pact is to have any meaning, Europe will have to ante up, and soon."

Since the end of the Cold War, the United States has provided roughly \$7 billion in foreign aid and debt forgiveness to the fifteen states of Eastern Europe—plus another \$14 billion or more to the twelve states of the former Soviet Union. That figure does not include the billions of dollars in peacekeeping costs the United States has incurred—and will now continue to incur—in the Balkans.

But when we add in those costs, we realize that we will soon reach and rapidly surpass the expenditure of \$20 billion in aid and military costs in Eastern Europe alone—plus another \$15 billion in the former Soviet Union. The point is this: America has done and is doing its share. As announcements of new American aid for the states of Southeastern Europe are now made on an almost weekly basis, we should keep that in mind.

I expect that our official witnesses today will give us a good estimate of what the United States will commit to spend as a participant in the new Southeastern Europe regional assistance initiative to which the President has pledged our support. News reports place the cost of the entire Southeast European assistance initiative at \$30 billion dollars over five years. If the United States were to finance only 20% of that total—it would equal \$1.2 billion in US aid alone for the region each year!

I intend to join with my colleague from New Jersey, Congressman Chris Smith, in introducing a bill that would authorize assistance specifically for the countries of Southeastern Europe, but that would lay out two important guidelines for our foreign aid to the region. First, a special authorization would be provided for funding to help the democratic opposition in Serbia. It is apparent that, without democracy in Serbia, there will be no stability in the Balkans. Second, this measure will underline the point that the European Union will have to take the lead in financing the regional assistance initiative by placing a cap on the U.S. financial participation in such an initiative.

Democratization in Serbia and the European Union's lead on aid to Southeast Europe are both things that the President and officials of his Administration have said they support. I hope such legislation will have the President's support as well.

We have a good roster of witnesses this morning to help us begin our review of the United States' role in the Balkans. Our witnesses on behalf of the Administration are:

Mr. Anthony Wayne, Principal Deputy Assistant Secretary of State for Europe;

Ambassador Larry Napper, State Department Coordinator for Assistance to Eastern Europe; and

Ambassador James Pardew, Principal Deputy Special Adviser to the President and the Secretary of State for Kosovo and Dayton Accords Implementation.

Our second panel of witnesses include:

Mr. Janusz Bugajski, Director of East European Studies at the Center for Strategic and International Studies;

Professor Janine Wedel, Associate Research Professor at George Washington University; and

Dr. Daniel Serwer, Director of the Balkans Initiative at the United States Institute for Peace.

Before we begin with our first panel, let me ask the Ranking Member, Congressman Gejdenson, if he would like to make any opening remarks. Mr. Gejdenson.

Would any other Members like to make any opening remarks?

We will now take testimony from our official witnesses.

Mr. Anthony Wayne has had wide-ranging experience with our Department of State. Before assuming his current position as Principal Deputy Assistant Secretary of State for European and Canadian Affairs, he served as Deputy Chief of Missions to the European Union. Before that, Mr. Wayne served over many years at our National Security Council, at the Office of the Ambassador at Large for Counterterrorism, as a Special Assistant to the Secretary of State at our Embassies in France and Morocco, and at the Bureau of Intelligence and Research.

During a leave of absence, Mr. Wayne also worked as a correspondent for the Christian Science Monitor. Mr. Wayne, you may summarize your written statement, which will be placed in the record. Please proceed.

Our next witness, Ambassador Larry Napper, now serves as Coordinator of Assistance to East Europe after a long career with the State Department. After service with the United States Army, Ambassador Napper joined the Foreign Service and rose through a number of important positions with our diplomatic corps, including: key positions at our Embassy in Moscow, Russia; Deputy Chief of Mission at our Embassy in Romania; Director of the Department's Office of Soviet Union Affairs; and Ambassador to Latvia.

Ambassador Napper also got a taste of life here on the Hill, serving as a Congressional Fellow with our former Colleague on this Committee, Lee Hamilton, in 1983 and 1984. Mr. Ambassador, you may summarize your written statement, which will be placed in the record. Please proceed.

Our next official witness, Ambassador James Pardew, was appointed to his current position in March of this year after being appointed to the rank of Ambassador in 1997. Ambassador Pardew has a long record of service with our military, from which he has a number of decorations. Among other positions, Ambassador Pardew served with the staff of the Joint Chiefs and the Army General Staff and completed a number of foreign tours of service.

Venturing into the risky field of foreign policy after his military career, the Ambassador served as the representative of the Secretary of Defense at the 1995 negotiations on the Dayton Accords for Bosnia, and then as director of the Military "Train and Equip" Program in Bosnia from 1996 to 1999. Mr. Ambassador, you may summarize your written statement, which will be placed in the record. Please proceed.

We thank our official witnesses for their participation this morning. Without objections, the Chair will submit questions in writing submitted by Members of the Committee concerning the issues reviewed in this hearing for an expeditious response in writing by the Department of State, and there will be three additional days for Members to submit additional material for the record.

Once again, our thanks to our official witnesses for their testimony today. We will now proceed with our second panel.

Mr. Janusz Bugajski is Director of East European Studies at the Center for Strategic and International Studies here in Washington. He has previously worked with Radio Free Europe in Munich, Germany, and has served as a consultant to the U.S. Agency for International Development, the Defense Department, the Rand Corporation, BBC Television and other organizations. He has lectured at several universities and institutes and has published numerous books and articles on Eastern Europe.

Mr. Bugajski, you may summarize your written statement, which will be placed in the record. Please proceed.

Professor Janine Wedel is an Associate Research Professor at George Washington University and a research fellow at the University's Institute of European, Russian and Eurasian Studies. She has received a number of awards from organizations such as the National Science Foundation, the MacArthur Foundation, the Woodrow Wilson International Center, and the National Council for Eurasian and East European Research. She is also a three-time Fulbright Fellow. Her latest book, "Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998," was published just last year.

Professor Wedel, we welcome you back to the International Relations Committee. You may summarize your written statement, which will be placed in the record. Please proceed.

Our final witness, Dr. Daniel Serwer, is Director of the Balkans Initiative at the United States Institute for Peace here in Washington. Dr. Serwer, who received his Ph.D. from Princeton University, served with the Department of State as Deputy Chief of Mission and Charge' d'Affaires at our Embassy in Rome, Italy; as United States Special Envoy and Coordinator for the Bosnian Federation; Director of European and Canadian Analysis; and, finally, as Minister-Counselor at the Department of State.

At the Institute for Peace, he has co-authored a number of studies on the Balkan states and worked on regional security issues in the Balkans. Dr. Serwer, you may summarize your written statement, which will be placed in the record. Please proceed.

The Committee thanks our witnesses for their participation and testimony on these important issues this morning. The Committee stands adjourned.

HIRC Testimony
August 4, 1999

Principal Deputy Assistant Secretary of State for European
Affairs E. Anthony Wayne

Mr. Chairman, thank you and the members of the Committee for this opportunity to discuss in detail the basis for and elements of our policy in Southeast Europe, including in the former Yugoslavia. I have with me Amb. James Pardew, Deputy Special Advisor for Bosnia and Kosovo, and Amb. Larry Napper, Coordinator for East European Assistance. Amb. Pardew will detail our policies and programs with respect to the implementation of the Dayton/Paris and Kosovo peace accords as well as support for democracy in Serbia. Amb. Napper will brief you on the programs which he coordinates to implement and support our policies throughout the region.

I would like to provide a political and programmatic overview of our policy, outlining U.S. interests in the region, our objectives, and the bilateral and multilateral approach we have taken to protecting and advancing those interests.

I would like to open my testimony with a brief review of President Clinton's succinct statement, made in San

Francisco on April 15, of our policy in Southeast Europe:

"Because stability in Europe is important to our own security, we want to build a Europe that is peaceful, undivided and free. ... We should try to do for Southeastern Europe what we helped to do for Western Europe after World War II and for Central Europe after the Cold War; to help its people build a region of multiethnic democracies, a community that upholds common standards for human rights, a community in which borders are open to people and trade, where nations cooperate to make war unthinkable. ... The best solution for Kosovo, for Serbia, for Bosnia, Croatia, Macedonia and all the countries of Southeast Europe is ... greater integration into ... Europe...."

As I will discuss later, the past week's Stability Pact Summit in Sarajevo has demonstrated our commitment, and that of the regional leaders and the international community, to see this integration become a reality.

Based on our fundamental interest in a peaceful and democratic Europe, whole and free, these are the three goals which we are pursuing in Southeastern Europe: the stabilization of the region; its transformation into a community of thriving democratic polities and market

economies, and the integration of the region into broader European, trans-Atlantic, and global political and economic structures.

We are pursuing these goals in a range of bilateral and multilateral programs and organizations: The Dayton implementation process, the Kosovo peace process, the Support for East European Democracy (SEED) program, the Southeast European Cooperative Initiative (SECI), NATO's Partnership for Peace and Euro-Atlantic Partnership Council (EAPC), the Royaumont Process, the EC/World Bank donor coordination process, the Southeast Europe Defense Ministers group (SEDM), and others. Finally and most importantly for the medium and long-term prospects for the region, we have established, with our partners, a Stability Pact for Southeast Europe to provide a unifying framework to achieve political and economic reform and greater integration of the region into Europe. We are pursuing our goals using all the tools available to us: military, diplomatic, and economic.

To bring some intellectual order to the complex matrix of our Southeast Europe policy, I would like to present it by first discussing the programs which are most geographically focused and then discussing the broadest and longest-term

elements encompassed in our regional policies in the Stability Pact.

First, there are the Kosovo and Bosnia elements, which Amb. Pardew will address in more detail. Kosovo presents an immediate security, political, economic and humanitarian challenge. KFOR's deployment has improved the security environment dramatically, but we need now to sharpen our focus on improving internal security. We must also establish the political mechanisms called for in the peace agreement and make the transition from meeting urgent humanitarian needs to laying the basis for a self-sustaining and productive market economy.

In Bosnia, local governmental and police institutions are beginning to gain the authority and popular legitimacy needed to ensure domestic security. The economy, however, further hindered by the effects of the Kosovo war and Serb economic isolation and collapse, has a long way to go.

I want to stress the importance of getting Dayton and Kosovo right, they are intensive tests of the international community's willingness to see peace take hold. Indeed, the task today is to win the peace.

Second, Serbia continues to pose a serious challenge to regional stability, including the democratic government in Montenegro. The "loss" of Kosovo to KFOR and the UN civil administration has left FRY President Milosevic weakened and discredited domestically. Milosevic is an international pariah and an indicted war criminal. As long as he and his regime remain in power in Belgrade, Serbia and the FRY cannot take their place among the community of democratic nations, a message made clear at the Sarajevo Summit.

President Clinton has clearly stated our policy: as long as the Milosevic regime is in place, the United States will consider providing humanitarian assistance through international organizations, but not reconstruction assistance, to Serbia. Helping to rebuild Serbia's roads and bridges, including the Danube bridges, would funnel money directly into the pockets of Milosevic and his friends, prolong the current regime, and deny Serbia the hope of a brighter future. We are working closely with our European allies to coordinate our activities on Serbia and to forestall any weakening of the existing sanctions regime against the FRY.

A key aspect of our policy on Serbia is to support the forces of democratic change that exist within Serbian society. We want to nurture the struggle for democracy, but at the same time I do not want to overemphasize our ability to effect change within Serbia. Milosevic maintains a firm grip on the main levers of power and the Serbian opposition remains far from united. But regardless of whether Milosevic stays or goes in the short term, our support for democratic forces is an investment in Serbia's future. We look forward to working together with Congress to bring democracy to Serbia and restore real stability to the region.

While neither a threat like Serbia nor requiring the same level of international supervision as Bosnia or Kosovo, Albania, too, is a potential source of regional instability, as its near collapse in March 1998 demonstrated. Although we have been obliged to reduce our presence in Albania for security reasons, we continue working to address security concerns and support political stabilization, economic reform, and development. We are now increasing our presence in the country and programmatic support. We are particularly encouraged by the responsible and restrained approach taken by the Albanian authorities during the Kosovo

conflict and the reception accorded to hundreds of thousands of Kosovars.

Albania was instrumental to our success in Kosovo, and we feel strongly that its role should not soon be forgotten. We are restarting several of our bilateral assistance programs in Albania, largely focusing on combating corruption and restoring public order. In addition to the bilateral programs, we participate actively in the "Friends of Albania" organization, which held its most recent plenary July 22. Through the Friends, we have established benchmarks for progress in Albania which we use to maximize the effectiveness of our aid. We support the actions taken by Prime Minister Majko's cabinet to establish effective rule of law. Progress has been slow. Due to the nature of Albania's problems, patience and persistence will be required in order to effect long-term change.

Third, we have for several years sought to address the problems of Southeast Europe on a regional basis and, increasingly since early this year, have focused on a post-conflict strategy for renewal for the entire region.

This strategy has many elements, including our efforts in Bosnia, Kosovo, Montenegro, Serbia and Albania. The focus of this strategy is on security, economic development, and democracy and human rights.

On the security side, we are working bilaterally with many countries of the region, but concentrating our efforts in the NATO/EAPC framework. At the NATO Summit in April, the Alliance established a 19+7 consultative forum on security that has begun to review regional proposals on crisis management, military-to-military cooperation, infrastructure ideas, and promotion of democratic media. The Summit also agreed that we would develop mechanisms to better coordinate our security assistance to the region. We are working with our allies to implement this decision and best use available resources to make these countries more capable partners. In addition, the EAPC created a Working Group on Regional Cooperation in Southeast Europe that will examine defense planning, crisis management and regional air space management. Finally, we are also supporting regional efforts such as the South East Europe Defense Ministerial process that build upon regional cooperation, consultation and integration to promote peace, security and needed military reforms.

To encourage democratization we have worked for many years through various USG programs, including SEED, and with groups and institutions such as the National Endowment for Democracy in particular countries. Through our support of the OSCE and in cooperation with the EU we have also had a multilateral dimension to our efforts.

Economic reform and development have also received substantial support, with SEED providing funding to support policy and administrative reform as well as for infrastructure development.

An important aspect of our post-World War II reconstruction effort in Europe was our encouragement of regional cooperation. The states of Southeast Europe, with U.S. support, have done so now in a number of fora. Through the Southeast European Cooperative Initiative (SECI), the U.S. was the first to pursue a coordinated regional approach to many of the economic troubles that plague the region. Eleven states of the region have come together, with the U.S. and other partners outside the region, to pursue cooperative efforts to tackle, for example, the serious problem of cross-border crime and corruption. The FRY is

not a SECI participant, but Montenegro has attended SECI meetings as an observer.

SECI participants have committed to join in measures to encourage trade and commerce and make the region more attractive to private investors. The first two agreements they have reached will harmonize laws governing road transport and provide for sharing of information to combat cross-border crime among law enforcement agencies. The latter agreements provides for the establishment of a center in Bucharest to combat cross-border crime.

SECI has received a relatively small allocation of SEED funds. It has been largely a self-help program. We expect, however, that SECI will take on greater importance under the Stability Pact.

Recognizing the need to improve multilateral coordination, inside and outside the region, within and between the security, democratization, and economic fields, the United States and Germany, then President of the European Union, developed their parallel ideas for a multilateral group bringing together the countries of the region, the trans-Atlantic community, and concerned multilateral organizations

to address this problem. These ideas eventually developed into the Stability Pact for South Eastern Europe, launched by the Pact's leaders in Sarajevo on July 30.

The Pact is a mechanism, or if you will a process, to bring together all the many ideas proposed or underway to promote the stabilization, transformation and integration of Southeast Europe into a single forum which will provide political coordination and a degree of comparative analysis of these ideas. We hope that this process will result in more efficient, effective, and coherent international and regional efforts in Southeast Europe.

The Pact's structure includes an overarching Regional Table, set to meet in September under the leadership of the EU and the Pact's Special Coordinator. The Regional Table will establish a basic workplan and then confirm the staffing for three Working Tables on democratization and human rights; economic reconstruction, development and cooperation; and security. In addition, the Regional Table will ensure over the long-term coordination of the activities of and among the Working Tables. The Working Tables are to meet within a month after the first meeting of the Regional Table.

I should emphasize that the Pact does not establish a funding or implementing agency. Any proposals endorsed by the Pact will have to be carried out by other agencies. Thus, no large new bureaucracy will be necessary.

Pact proposals in the economic field requiring funding will be referred to the EC/World Bank-led donor coordination mechanism, originally established this spring to ensure effective use of donor aid in Kosovo but also responsible for coordination of regional aid throughout Southeast Europe. The U.S. is a member of the High Level Steering Group that provides policy direction for this process.

In Sarajevo last week, President Clinton took the opportunity afforded by the Summit of Stability pact leaders to put forward several U.S. initiatives designed to realize to the Pact's objectives and our goals in Southeast Europe. These include a \$10 million SEED grant to promote democracy in Serbia; a proposed "Investment Compact" which would match regional action to create a predictable and fair business environment with partners' support and the development, with the international financial institutions, of appropriate vehicles to mobilize private finance and mitigate risk; a Trade Expansion Initiative that would involve a grant of

unilateral trade preferences to the region. We look forward to further consultation and work with Congress to bring these proposals to fruition.

But Sarajevo wasn't all about what we were offering. The most significant achievement was the clear commitment of all the states of the region to working together as partners and with their partners in the Pact, to address the problems they share. In preparing for the Summit and at the Summit itself there was a welcome spirit of pragmatic cooperation that will be essential to realizing the Pact's goals. As the states of the region said in the Sarajevo Summit Declaration: "those countries of the region who seek integration into Euro-Atlantic structures, ..., strongly believe that the Pact and implementation of its objectives will facilitate that process." We welcome and applaud this spirit of Sarajevo.

That, in a rather large nutshell, wraps up my presentation. In conclusion, I would like to emphasize the complex and interlocking nature of our policy -- a necessity in a region of great political, cultural, economic and strategic complexity. Few could have foreseen ten years ago the depth of our engagement in the region now. But I think few would

deny that to engage the region -- to bring the states of Southeast Europe into the Euro-Atlantic community of prosperous, democratic and secure nations -- is a task, and an opportunity, that must not find us wanting.

HIRC Testimony
August 4, 1999

Coordinator for East European Assistance
Larry C. Napper

Mr. Chairman, allow me to join my colleagues in thanking you and the members of the Committee for the opportunity to discuss with you the role of the SEED program in our overall strategy for southeastern Europe. NATO has prevailed in the conflict in Kosovo and Serbia. We now have the opportunity to build upon that success to create a stable, democratic and prosperous region. We must do our fair share, in the context of a much larger European effort, to secure the peace. But your constituents naturally want to be assured that their tax dollars will in fact promote peace and stability in southeastern Europe and the national security of the United States. In short, you and they want to know that SEED and other programs work.

The Support for Eastern European Democracy (SEED) Act marks its 10th anniversary on November 28 of this year. Its original aim, "to provide cost-effective assistance to those countries of Eastern Europe that have taken substantive steps toward institutionalizing political democracy and economic pluralism," has been substantially met in eight countries of northeastern and central Europe. (A chart

detailing SEED assistance levels for FY 1998 and FY 1999 is submitted as an attachment to this testimony.)

SEED has a solid track record of helping countries make the transition from communism to democracy. Former SEED countries are now members or partners of NATO and aspirants for membership in the European Union. While we want to maintain productive partnerships with those SEED "graduates," their success makes it possible for us to concentrate our resources on the area of greatest need -- southeastern Europe.

This reflects the direction set by the President's April 15 San Francisco speech when he urged our European friends and allies to join us in efforts do for southeastern Europe what we did for North Central Europe over the last decade. Our fundamental objective is to stabilize, transform, and integrate the countries of southeastern Europe into European and transatlantic institutions. The commitment was evident at Sarajevo on July 30, when President Clinton and more than 40 leaders from Europe and North America gathered to launch the Stability Pact for the region. Through the Stability Pact, our bilateral relations with each Southeast European country, and other means, we are helping the people of this region to achieve democracy,

security, prosperity, and the rule of law. We want the countries of southeastern Europe to take their rightful place in a Europe whole and free, and at peace.

Over the lifetime of the SEED program since 1989, the U.S. has spent about \$4.3 billion on assistance to Central and Eastern Europe. Of that \$4.3 billion, we have contributed \$2.6 billion to help the countries of Southeast Europe to achieve political democracy and economic prosperity. Our success in Central and Northern Europe gives every reason for optimism that we can eventually obtain the results we seek in southeastern Europe, despite the difficult challenges that face the region.

This fiscal year we began with a SEED assistance program of \$430 million, of which \$370 million was dedicated to Southeast Europe. During the crisis in Kosovo, Congress passed and the President signed an emergency supplemental appropriation to alleviate human suffering and soften the shock of war on neighboring countries. With the supplemental, we will be providing a total of \$490 million in SEED assistance to Southeast European countries. An additional \$100 million in Economic Support Funds (ESF) has helped to close the dangerous balance of payments gaps and budget deficits that threatened to overwhelm Albania,

Bosnia, Bulgaria, Croatia, Romania, Macedonia, and Montenegro as a result of the conflict.

Broadly speaking, SEED programs fall into four categories:

- The largest portion of our SEED budget for southeastern Europe funds SEED programs to help transform ex-communist states: building democracy, establishing a sound market economy, and strengthening the rule of law. Many of these programs have been tested and proven over a decade in Central and Northern Europe. Their relative mix varies from country to country and year to year. It is determined by our best judgment of need, of where we have a comparative advantage in providing assistance, and of whether sufficient political will exists to bring about lasting reform.
- Another major portion of the SEED budget funds programs to overcome the devastation of war and violent repression in Bosnia-Herzegovina and Kosovo. The flexibility of SEED assistance has been vital in moving Bosnia and Kosovo from conflict to peace. Since 1996, SEED has made major contributions to implementation of the Dayton Agreement and economic recovery in Bosnia. In Kosovo,

SEED has funded deployment of international civilian police and training of the new Kosovar police service. SEED has funded other emergency requirements such as humanitarian de-mining and investigations of war crimes. As hundreds of thousands of refugees return home, SEED will fund emergency assistance to help them put their lives back together.

- The third category of SEED initiatives includes relatively recent, innovative efforts to encourage the countries of the region to work together on common problems for mutual benefit. We do this by providing both political and economic incentives and technical assistance for regional programs in which two or more neighbors work on specific issues whose solution would unlock major gains in trade and investment.
- Finally, SEED supports the efforts of countries in southeastern Europe to join the global trading system and attract trade and investment. Only the private sector can provide the resources needed to complete the transition from communism to free markets. SEED's timely technical assistance is supporting the efforts of countries in southeastern Europe to complete accession to the World Trade Organization and to build an attractive

climate for investment. Modest amounts of SEED funds will help implement trade and investment initiatives announced by President Clinton at the Sarajevo Summit, such as an OPIC fund and credit line for the region. We will use small SEED contributions to leverage much larger investments from the international financial institutions and the private sector.

Let me give you a few concrete examples to convey a sense of how SEED assistance is achieving our goals in Southeast Europe.

Bulgaria today is solidly on the right reform track. A couple of years ago, it experienced a banking crisis that threatened the country's financial system with collapse. The government asked for our help; within 30 days we sent a team of U.S. advisors, all of whom had had experience with FDIC and RTC, to work with Bulgarian authorities to stabilize and eventually privatize six of seven remaining state-owned banks. Other advisors helped the Bulgarians acquire the capability to examine and rate their banks. As a result, the Bulgarian financial system withstood the shocks of the Asian and Russian crises, and is spinning off stable, private banks. The financial basis for a democratic system is being secured, and Bulgaria is poised to take

further strides toward a full market economy. Here is a case of SEED transferring American organizational and technical know-how to Bulgarian managers who are striving to participate in a modern global economy.

Albania provides another example of how SEED has advanced U.S. interests in the region despite severe constraints. In 1997, the collapse of the pyramid schemes threatened chaos and the near-dissolution of legitimate civil authority. With the help of the international community, Albania averted complete catastrophe by a narrow margin. Continued political instability in 1998 and the Kosovo crisis left the foundations of a democratic, market system weak and unsecured. Despite these daunting challenges, the new Albanian government has made a genuine commitment to reform. During the Kosovo conflict both the government and thousands of ordinary Albanians sheltered hundreds of thousands of refugees, despite constant threats from Belgrade. We have therefore strengthened SEED programs in Albania to support the efforts of the Albanian government to establish law and order and public security and to promote economic and financial stability. Albania has a long way to go, but SEED assistance is helping it stay the reform course.

My last example illustrates how SEED combines diplomacy and technical assistance in innovative ways to promote regional cooperation. With modest support from SEED, the Southeast European Cooperative Initiative (SECI) has brought together eleven countries of the region, including Greece and Turkey as partners with us, to cooperate on a variety of economic issues. SECI is bearing fruit in several key areas, including harmonization of national laws governing regional road transport and sharing of information on cross-border crime. A regional anti-crime center is being established in Bucharest under SECI auspices.

Ten years ago, we all knew that Southeast Europe would require more time, attention and resources to integrate fully into European and transatlantic institutions. We did not know ten years ago that Yugoslavia would disintegrate in a revival of violent ultra-nationalism. We did not know that eight years of intermittent warfare would ensue, as horrible as anything Europe has seen since World War II. Not only did this chain of events devastate much of what had been the region's most economically advanced country; it also threatened to sever the economic lifelines of its neighbors.

Nevertheless, we remain optimistic about the long-term future of southeastern Europe, thanks to the incredible resiliency of the people who live in the region and the determination of the international community to help them succeed. The people of Southeast Europe deserve our respect and our continued support -- all the more so because their aspirations coincide with our own interests.

Mr. Chairman, the process of transformation and integration of Southeast Europe requires a broad international commitment. We take seriously the announced intention of our European Allies to contribute the bulk of resources to this effort. It is important and appropriate for Europe to shoulder the main burden of reconstruction and development in southeastern Europe. But the United States must continue to play its vital catalytic role in the region. A robust SEED program is essential to promote peace and important U.S. interests. We hope we can continue to count on your support in ensuring that the SEED program receives the funding necessary to play its essential role in stabilizing, transforming, and integrating Southeast Europe into the Euro-Atlantic community.

SEED COUNTRY LEVELS

\$ MILLIONS

	<i>FY 98</i>	<i>FY 99</i>	<i>FY 99 Revised</i>
Albania	27.4	32.8	49.3
Bosnia	215.0	195.0	185.0
Bulgaria	33.7	25.15	32.15
Croatia	23.2	12.0	15.0
Czech	0.0	0.0	0.0
Estonia	0.0	0.0	0.0
Hungary	7.1	0.0	0.0
Latvia	2.4	0.0	0.0
Lithuania	4.7	2.3	2.3
FYROM	17.2	16.0	32.5
Poland	35.1	20.0	20.0
Romania	37.1	35.4	43.4
Kosovo	3.6	12.1	77.6
Montenegro	5.3	10.1	22.15
Serbia	6.4	3.55	3.55
Slovakia	8.0	3.0	3.0
Slovenia	0.0	0.0	0.0
Regional	58.8	62.6	64.05
TOTAL	485.0	430.0	550.0

Statement by Principal Deputy Special Advisor to the
President and Secretary of State for Kosovo and
Dayton Implementation
Ambassador James W. Pardew, Jr.
to the House International Relations Committee
August 4, 1999

Mr. Chairman, I am grateful for the opportunity to provide the committee an update on Dayton and Kosovo implementation. Over the past decade, the madness of ethnic warfare against civilian populations in the former Yugoslavia produced an estimated 3.5 million refugees and displaced persons, and over 250,000 killed -- most recently, more than one million displaced persons and refugees and an estimated 10,000 murdered in Kosovo alone.

Throughout this century, the stability of Europe has been a vital interest of the United States. Ethnic conflict in southeastern Europe clearly is a direct threat to European stability; and therefore it is a threat to U.S. national interests. President Clinton and Secretary Albright have repeatedly emphasized that our overall objective is to see the whole of southeastern Europe as an integral part of an undivided, democratic, peaceful Europe.

That is why we have invested so much time, energy and resources in the former Yugoslavia over the past ten years. That is also why American troops have been in Macedonia since 1993; in Bosnia as part of a NATO-led force implementing the Dayton Agreement since 1995; and now in Kosovo as part of the NATO-led force implementing the agreement that followed the successful air campaign.

These military deployments are not a permanent solution, however. Long-term regional stability requires an active

and robust political and economic development program. The effort to move Serbia toward democracy is a particularly important component of the stability program for the former Yugoslavia and the region as a whole.

Mr. Wayne has told you about our overall concept for the region. I will focus more precisely on programs designed for civilian implementation in Kosovo and Bosnia and for promoting democracy in Serbia.

I will begin with Kosovo, where civil society must be rebuilt on the ruins of a savage campaign of destruction and murder waged by the forces of Slobodan Milosevic. Our immediate steps in creating the conditions for an autonomous and democratic Kosovo have been achieved. First, the Serb forces responsible for carrying out a systematic campaign of atrocities and ethnic cleansing in Kosovo have been withdrawn from the province as a result of NATO's successful air campaign. Second, more than 700,000 out of the approximately 800,000 refugees expelled from Kosovo by Milosevic have been able to return more rapidly than anyone projected, and have begun to rebuild their lives. Third, the international security force and civil administration called for in UNSC resolution 1244, under NATO and the UN, are being established.

KFOR currently has in Kosovo more than 37,000 troops from twenty-one nations, including 5,596 U.S. forces. KFOR is rapidly establishing the secure environment necessary for political and economic development in the province.

The UN Interim Administration Mission in Kosovo (UNMIK) is making steady progress in deploying civil administrators,

civilian police and judicial authorities to the field under extremely daunting circumstances. UNMIK has a powerful mandate, one sufficient to create the foundation for a democratic society. Nevertheless, there is still a long way to go, and we are urging the UN and contributing countries to deploy their resources and personnel to Kosovo as quickly as possible. It is essential that we provide the personnel and resources necessary for UNMIK to fulfill its civil implementation tasks.

The European Commission's just-completed damage assessment reveals that the humanitarian needs in Kosovo are as vast as they are urgent. Last Wednesday's immediate needs conference in Brussels focused on these humanitarian requirements, and donors pledged to provide nearly \$2.1 billion in humanitarian assistance. The United States pledged \$556 million in assistance for urgent humanitarian needs, subject to a clear assessment of the need and confirmation that other donors will do their part. This money comes from the budget supplemental passed by Congress and signed by the President on May 21 of this year. None of this funding will go for reconstruction in Kosovo or long-term development in southeastern Europe. A follow-on donors conference in the fall will concentrate on assistance for reconstruction, for which the Europeans will bear the bulk of the burden.

Another urgent item on UNMIK's agenda is the establishment of a civilian police force that will assume responsibility for law and order. The UN plans to deploy 3,100 international civilian police in Kosovo. UNMIK civilian police will be armed and will have arrest authority. The U.S. intends to provide 450 of those police.

As these police deploy, the OSCE will begin training the Kosovar police force of 3,000 which will eventually take over responsibility for civilian policing. The U.S. is playing a leading role in this effort as well, with an American appointed to head the police training academy.

The U.S. has nominated more than 20 qualified human rights monitors as part of the OSCE's contingent of more than 100 who will monitor and protect the human rights of all Kosovars, whatever their ethnicity or religion. In addition, we have pledged substantial support to ensure that the work of the War Crimes Tribunal in Kosovo can be carried forward.

Further down the road, democratization in Kosovo will require an active, pluralistic political life, free and fair elections, and self-government. We have no intention of seeing one single-party system replace another. We are working with the UN, the OSCE, and other international organizations to foster political party development, promote the participation of Kosovars in the political process, and promote the growth of responsible independent media -- an indispensable part of democracy and civil society in Kosovo. Our goal is to hold local and Kosovo-wide elections as soon as is feasible.

Let me turn to Bosnia and Herzegovina, where in the implementation of the Dayton agreement we have achieved a number of successes, but much still remains to be done. We can be justifiably proud of NATO's success in establishing the secure environment necessary for normal political, economic and social life in Bosnia.

Progress on refugee returns has been mixed, but the signs over the last year are encouraging. Since Dayton, almost 600,000 Bosnians have returned to the country; of those, more than 80,000 have gone to areas where their ethnic groups are in the minority. While the rate of minority returns has been unacceptably slow, the pace is accelerating. Almost as many minorities returned in 1998 as in the two preceding years combined, and minority returns this year are outpacing those of 1998.

Although this progress is small, it is a significant step toward our goal of a self-sustaining return process. We will continue to make clear to officials in all parts of Bosnia and Herzegovina that closer ties with the U.S. and western institutions depend upon improved performance on minority returns. This is our greatest leverage with Bosnian leaders, and it is the key to the progress we have achieved to date.

Most Dayton-mandated national institutions and symbols are now in place, though state organizations are limited in their functions so far. The work of the three-member joint Presidency is showing promise, as they demonstrated in preparing last week's Stability Pact summit in Sarajevo. With little more than two weeks lead time, and mammoth security and logistical obstacles to overcome, the three worked together to ensure that this summit of more than 40 world leaders was a success.

Economic reform is an area where progress has been slow. There have been some successes, such as the new "convertible mark" currency and the new customs law, which have bound Bosnia together as a single economic entity. But progress towards a functioning, market-based economy is inadequate.

towards a functioning, market-based economy is inadequate. This is above all the fault of political leaders who remain committed to political control over economic activity, in order to guarantee their political party's continued dominance. They continue to block privatization and other reforms, and to maintain an economic and regulatory climate that discourages private investment, foreign or domestic. Accordingly, our efforts now will focus on pressing Bosnia's leaders to act decisively in the areas of economic restructuring, privatization and judicial reform in order to secure Bosnia's economic future.

Finally, let me turn to our efforts to promote democratization in Serbia. Long-term stability in the region requires a Serbian leadership committed to democracy and the rule of law. President Clinton has made clear that as long as the Milosevic regime is in place, the United States will provide no reconstruction assistance to Serbia, although we do not rule out continued humanitarian assistance through international organizations. Further, we retain the full array of wartime economic sanctions on Serbia.

Over the past several weeks, Serbia's citizens have shown their disgust for Milosevic and their hunger for democratic change through spontaneous demonstrations in the streets of cities throughout the country. Opposition parties, taking advantage of the popular sentiment against Milosevic, have organized their own rallies and are beginning to mobilize for a larger effort in the fall.

These are all positive developments and we want to nurture them. At the same time, I do not want to raise expectations

that the Milosevic regime will fall easily or soon. Milosevic continues to hold the main levers of power in his hands, most importantly the army, the police, and most of the government-owned media. Nevertheless, regardless of whether Milosevic stays or goes in the short term, our support for democratic forces is an investment in Serbia's future.

Over the past two years, the U.S. government and NGOs like NDI, IRI and the NED have spent 16.5 million dollars on projects aimed at promoting democratic governance and civil society in the FRY. In Sarajevo last Friday, the President announced that he will work with the Congress to provide \$10 million this year and more over the next two years to strengthen independent media, NGOs, independent trade unions, and the democratic opposition in Serbia.

Our democratization programs in Serbia focus on three areas. First is assistance to opposition parties. Here we intend to provide them with technical assistance and experienced political advice.

Second, we are promoting independent media and the free flow of information in Serbia in two ways. In order to increase the amount of objective news reaching the population, we are nearing completion of the "Ring Around Serbia," a network of transmitters that will permit us to broadcast VOA, RFE and other international news programs throughout the country. Perhaps even more important, however, we want to strengthen Serbia's own independent media, because Serbs, like Americans, prefer to get their news from their own sources, in their own context.

Finally, we give special importance to support for Montenegro. President Djukanovic and the multi-ethnic, democratic government of Montenegro have demonstrated courage and determination in implementing reforms and resisting Belgrade's attempts to strip Montenegro of its constitutional powers. Montenegro may be too small to change Serbia directly, but we believe it can serve as a model for the Serbian opposition, providing advice on election strategy and the implementation of painful but necessary reforms. We have therefore steadily increased our support for Montenegro, providing financial and technical assistance worth \$25 million in 1999 as well as humanitarian assistance worth millions through UNHCR.

Our efforts now can do two things. In the short term, we can help the indigenous Serbian opposition to focus its energies and more effectively articulate the anger and frustration of the Serbian public. In the longer term, we can cultivate and strengthen those forces that will carry the democracy banner as long as Milosevic remains in power. Both of these are important goals. U.S. support will be important, and your support will be essential. But the ultimate responsibility remains with the Serbian people. They must decide that it is time for a change of leadership and a brighter future.

This concludes my statement, Mr. Chairman. I would be pleased to answer your questions.

Janusz Bugajski
 Director, East European Studies
 Center for Strategic and International Studies
 4 August 1999
 House Committee on International Relations

PROBLEMS OF BALKAN RECONSTRUCTION

Since the fall of Communist rule, a new dividing line has descended across Europe. Although not as impervious as the Iron Curtain, it has nevertheless separated "Central Europe" from the "Balkans." Post-Communist governments in several Balkan countries that failed to transform their ossified economies and to institutionalize democratic pluralism have encouraged this regional division. There are five major reasons for this state of affairs that must be borne in mind by the international community in planning for regional reconstruction.

- **Authoritarianism:** Various forms of authoritarianism have emerged in South East Europe. Where they were successful, the ex-Communists and their various allies, adopted an assortment of programs to garner popular support through the electoral process. They rallied around two major clusters of issues: statist populism and ethnic nationalism. Authoritarian populists appealed to broad sectors of the population by offering simplistic remedies to complex economic problems. They underscored the importance of the state in providing political continuity, strong leadership, and a broad welfare umbrella. They promoted unequal political competition through their control over the most important media outlets, especially state television and thwarted the emergence of an independent judiciary. In sum, many post-Communists calculated that a formal democracy could co-exist with an informal authoritarianism. Instead of seeking to destroy all vestiges of political pluralism, they estimated that selective controls over the most important state institutions could preserve their positions of power.
- **Under-democratization:** A second set of factors has assisted the post-communist elites: the organizational fragmentation of the diverse opposition movements. For example, the broad anti-Communist fronts in Romania and Bulgaria splintered as a result of personality clashes and policy differences. The emergence of centrist coalition governments in both countries during the past two and a half years must therefore be strongly supported by the international community. Unfortunately, in much of the region the political culture of statism and authoritarianism remains deeply embedded among a broad spectrum of parties while a political culture of dialogue, tolerance, and compromise has shallow roots. Slow progress has been achieved in the process of civic and political participation.
- **Nationalism and Ethnic Collectivism:** The resurgence of nationalism and ethnic politics has proved especially stark in the Balkans where historical competition over territories and minorities has been reanimated and manipulated by an assortment of political actors. Nationalist politicians have appealed to collectivist ethnic identity and antagonistically defined their countries "national interests." Ultra-nationalists operate on two chief principles: collectivism and exclusivism. Ethnic collectivism serves to unite a society around its nativistic "national interests, while exclusivism defines these collective interests in relation to a domestic or foreign threat. It was easy for

many Communist functionaries schooled in collectivism and centralism to switch over to overtly nationalist positions once Communism became defunct. Ethnic nationalism also enabled new alliances to be forged between former communists and ultra-nationalist anti-communists. Leninism also disfigured the Balkan societies by stifling the emergence of civic societies. Instead, it tended to buttress collectivist models of individual obligations to the state rather than the principles of individual liberty and human rights protected by the government. When Communist rule disintegrated democratic institutions only slowly emerged in these societies and public input into decision-making remained limited.

Ethnic politics have been manipulated by a range of political groups. Leaders looking for popular support have capitalized on nationalist sentiments and exploited the presence of minority or foreign scapegoats. Political extremists and opportunists, especially in the former Yugoslavia, have taken advantage of widespread public disorientation and deflected mass fears toward vulnerable minorities or ethnic neighbors. Xenophobic nationalism promotes authoritarianism as it fosters an intolerant political climate and justifies governmental controls over various public institutions on the pretext of defending endangered national interests. Proponents of a civic society, based on a balance between individual and minority group rights, on unrestricted political competition, an open mass media, and the rule of law, may thereby face an uphill struggle against a pervasive current of nationalist threat.

- **Economic Stagnation:** Populism, nationalism, statism, and authoritarianism have been reinforced by poor economic performance. Although strictly centralized command economies no longer exist in the region, the progress of systemic transformation and privatization has been thwarted by special interest groups many of which emerged from the Communist apparatus. Sectors of the old elite have benefited directly from limited economic reform programs by conducting "*nomenklatura* privatization." In this process, former state property has been sold off cheaply to newly formed companies controlled by well-connected members of the former Communist parties. This has restricted market competition and the development of an entrepreneurial stratum that could strengthen the democratization process and accelerate economic progress. Fearful of a market reform program that could dislodge the old *nomenklatura* from its privileged positions and seeking to benefit from the legal and regulatory confusion, the statist-populists have hampered market reform in virtually all Balkan states.
- **Criminalization:** Traditional socialist mismanagement, productive inefficiency, and industrial uncompetitiveness have been compounded by nepotism, patronage, and outright corruption. Indeed, a growing wave of officially sponsored criminality has swept across South Eastern Europe. Not only has crime seriously undermined legalism and terrorized a nervous public, but it has also contributed to unsettling the region's fragile economies and quasi-democratic political institutions.

Long delays in overhauling and marketizing the economy and fighting criminality may initially cushion the population and the regime against the rigors of capitalism. But in the long term, such a regressive policy will simply drive the government further into debt and make unavoidable reforms that much more painful and destabilizing in the future. There are two possible scenarios for the future of the Balkans: the worst and best cases.

Balkan Futures: Regional Regression

The pessimistic scenario envisages a series of domestic crises accompanied by fundamental political breakdowns and economic meltdowns. Although the degree and impact of regression will vary, each case of internal stagnation or crisis will contribute to exacerbating regional tensions. The Balkans could drift toward peripheral status on the margins of the trans-Atlantic enlargement process. There are five possible ingredients:

- **Resurgent Authoritarianism:** Support for democracy building proves insufficient to forestall new forms of "patriotic authoritarianism" in countries such as Croatia and Serbia. Autocratic tendencies could also become bolstered in other states, with a corresponding weakening of civil-oriented and pro-European political parties. In the midst of disruptive and painful economic reforms, the region could face growing popular support for protectionist and anti-reformist governments and policies.

Such a phenomenon could propel to power anti-democratic forces whether through national elections or the declaration of "emergency measures." Such regimes would increase governmental lawlessness despite the holding of multi-party elections and the existence of the formal institutions of democracy. The new regimes are unlikely to try to restore a totalitarian system. Instead, they will primarily seek to control the most important levers of power and to prevent disruptive political competition that could unseat them from power.

- **Political Paralysis:** A second unsettling scenario is one of political paralysis through the frequent turnover and perpetual instability of governments. Instead of focusing on economic transformation and international integration, government leaders will be preoccupied with political disputes and personality clashes. Vested interest groups seeking to preserve the status quo will deliberately stall the reform process. Political and personal interests will take priority over programmatic issues, essential legal and economic reforms. Such a scenario could lead to the breakdown of central governmental controls and the increasing *de facto* autonomy of various regions and sub-regions. Such regression will be further reinforced by the expansion of criminal networks operating across state borders and tied to various political interest groups. In effect, a country could become ungovernable.
- **Social Breakdown:** In the third scenario the impetus for political breakdown comes "from below." Mounting social unrest in protest against falling living standards and rising unemployment could be manifested in industrial actions, violent street protests, and the exploitation of public disquiet by militant nationalist groupings. A swelling wave of industrial action would prove difficult to contain particularly if the government remains fractured and weak. The worst case possibility could be a civil war, characterized by the organization of self-defense militias, mutinies and splits within the armed forces, and an escalating spiral of violence against state institutions and rival political groupings.
- **Populist-Nationalist Upsurge:** In either of the three scenarios outlined above, radical populist or nationalist elements could seek to gain political power from collapsing governmental authority or from growing appeals for an authoritarian regime. An ultra-nationalist administration would prove especially threatening for the region. It could lead to attacks against vulnerable ethnic, religious, or regional minority populations, a wave of officially sanctioned expulsions, or even prolonged

inter-communal violence.

An ultra-nationalist regime in any of the Balkan states could rapidly foster conflicts with various neighboring states as we have seen in the case of Serbia. Officially sponsored attacks on minorities could provoke pre-emptive or reactive moves to defend this population by a nearby "mother state." In addition, a substantial refugee outflow provoked by deliberate state policy could contribute to destabilizing a neighboring state, especially one that already confronts serious inter-ethnic or regional divisions. The most unsettling scenario would entail a series of ultra-nationalist victories in the Balkans, bringing to power political formations thriving on the manufacture of both internal and external nationality conflicts. Indeed, the success of militant nationalists in one state could actually stimulate a nationalist resurgence among neighbors on the pretext of "self-defense."

Balkan Futures: Secure Development

The second optimistic prognosis for the Balkan states envisages consistent progress in ensuring both internal stability and inter-state cooperation. Each state will make strides in meeting the internal and external criteria for membership in both NATO and the EU. Indeed, some Balkan aspirants could be admitted to one or both institutions during the next three to five years.

- **Political Stability:** Regular "free and fair" national and local elections together with long-term governmental stability will remain as essential prerequisites for pursuing far-reaching economic and institutional reforms. Each Balkan government needs to ensure a measure of programmatic continuity between successive administrations so that the reform process does not veer between unpredictable periods of progress and reversal. All the Balkan countries require a cross-party commitment to the goals of economic transformation and institutional reform whatever differences may exist between specific political formations in terms of the timetable and pace of such restructuring.
- **Institution Building:** Successful political stabilization also requires the consolidation of stable and authoritative democratic institutions based on firm constitutional principles. The organs of government need to have public confidence and the commitment of all major political players. Extremist parties advocating some form of authoritarianism must be marginalized so that they do not undermine the nation's body politic.
- **Civil Society Development:** Each Balkan country can develop a more effective alternative media and a range of citizens' interest groups, including business associations, consumers organizations, minority rights groups, and environmental lobbies. These constituencies will significantly enhance the democratization process. The protection of minority rights has become a legitimate component of international human rights conventions. Each Balkan state must pursue policies that comply with international obligations. Furthermore, the development of a multi-faceted civil society will undercut the focus on exclusivist ethnic and national questions that undermine democratic development.

- **Economic Progress:** A priority for each Balkan government is the consolidation of a credible market reform program. All too often in the past, vested interest groups have stalled or diverted the process to their advantage. Alternatively, numerous politicians have compromised on many essential market components by maintaining large-scale state subsidies to unprofitable enterprises and failing to ensure the transparent privatization of the state sector. A serious and far-reaching reform program cannot be held hostage by any political party, economic lobby, trade union, or industrial sector. No program of economic transformation will gain easy popularity for any government and indeed most administrations are likely to be faced with the growing challenges of industrial unrest and public disquiet. Nevertheless, a reformist government has to weather such storms and ensure that worker unrest is not exploited by radical anti-democratic elements or degenerates into a wholesale social and political breakdown.
- **Organized Crime Fighting:** Public security organs must be empowered to deal with organized crime and corruption. Both an internal and an international strategy have to be devised by each Balkan state working in tandem with its neighbors. The pervasiveness of politically connected corruption and criminality threatens to obstruct the region's reform process. It consolidates the control of special interest groups, encourages polarization and radicalism, dissipates public confidence in the transformation process, and jeopardizes economic stability and marketization. To combat domestic crime, appropriate laws must be passed and enforced and the police must be provided with relevant training, manpower, and equipment. The police and intelligence forces require strict governmental supervision as well as effectiveness. Public trust in the police forces will increase as their success in fighting crime and restoring law and order increases.
- **Regional Cooperation:** Regional cooperation can be buttressed through a range of institutions: governmental, military, parliamentary, political party, local government, and the NGO sector. Economic transformation must be a region-wide priority as the failure of economic reform will directly challenge all nearby states. More emphasis needs to be placed on building economic networks that serve to enhance the reform process. In sum, the Balkan countries must take a more active role in promoting regional stability and development and not focusing only on their domestic concerns.

In conclusion, reconstruction not only provides the opportunity for material development but also for representative democracy. The commitment to reconstruct must be matched by a commitment to reform. The ultimate objective for all the Balkan states must be inclusion and integration in the major European and trans-Atlantic institutions based on solid democratic and capitalist foundations.

**U.S. AID TO KOSOVO:
LESSONS FROM PAST EXPERIENCE**

**Testimony before the
Committee on International Relations
U.S. House of Representatives**

by

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**U.S. AID TO KOSOVO:
LESSONS FROM PAST EXPERIENCE**

by Janine R. Wedel

Thank you very much for the opportunity to speak with you today. My comments are based on my extensive study of U.S. assistance to Central and Eastern Europe, Russia, and Ukraine over the past 10 years. I am not an expert on the Balkans. However, my research on U.S. assistance programs has given me an acute awareness of the promises and pitfalls of aid, many of which are discussed in my recent book, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989-1998* (St. Martin's Press) and in previous testimony before this committee and others. The following cautionary lessons arise from my research:

First, we need to constantly remind ourselves that aid is by no means just a technical matter.

It is not just about getting the economic prescriptions right. Aid is a complex task with societal, political, and social challenges that must be taken into account if it is to have the desired goals. It must be well-conceived, well-planned, and implemented systematically in accordance with these challenges. It is important that the beneficiaries of the aid are not just Western consulting firms looking for fat contracts but the people and communities we want to help. It would be illusive to think that our aid programs alone could build democracies and market economies. On the other hand, poorly conceived and administered aid certainly can do damage, both to the region we are trying to help and to the image of the United States there. As Joseph Stiglitz, chief economist at the World Bank, once suggested, we should adopt "a greater degree of humility...(and) acknowledgement of the fact that we do not have all of the answers."

Second, we should avoid the "Marriott Brigade" syndrome. The Marriott Brigade was a term the Polish press¹ coined in 1990-91 for the short-term "fly-in, fly-out" consultants who were

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paid to deliver "technical assistance" to eastern European governments and officials. The consultants stayed at Warsaw's pricey new Marriott and hurtled among five-star hotels across the region collecting data and advising on economic and political reform. In contrast to long-term consultants, who often stayed for six months or longer, members of the Marriott Brigade appeared for several days or weeks, quick with words and promises. Recipient officials, many of whom were new at their jobs, welcomed them at first. But after hundreds of fact-finding and "first meetings" with an endless array of consultants from donor organizations and the international financial institutions, many officials were disillusioned and frustrated.

We must avoid this situation in the current effort. Bringing in team after team of high-priced consultants, many of whom will never return, creates a burden for local officials and stirs resentment against the consultants and the donors. It is important not to duplicate fact finding and to keep "first visits" to a minimum. As we have seen in eastern Europe, local perceptions of aid -- on the part of officials, politicians, and citizens -- matter and sometimes even shape aid outcomes.

Third, it is crucial to carefully and prudently select our prospective partners and representatives. We must be careful not to play favorites among competing local interests and beneficiaries. The record of U.S. aid to Russia in particular shows that selecting specific groups or individuals as the recipients of uncritical support both corrupts our "favorites" and de-legitimizes them in the eyes of their fellow citizens. Given the discretion of political functionaries in the region to appropriate large portions of state resources to themselves and their cronies and the considerable corruption on all sides, there is an ever-present danger of diversion of foreign aid. We must also be aware of potential collusion among consultants and local elites toward that end. As we have learned -- or should have learned -- in Russia, putting aid in the hands of one political-economic

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group or "clan" creates opportunities for the misappropriation of monies to private and/or political purposes and quickly undermines donors' efforts at democracy building.²

Further, experience shows that it is simply wrong to think that institutions can be built by supporting specific individuals, instead of helping to facilitate processes and the rule of law. Many reforms advocated by the international aid community, including privatization and economic restructuring, depend on changes in law, public administration, and mindsets, and require working with the full spectrum of legislative and market participants -- not just one group or clan. Singling out one group of so-called "reformers" can discourage reform and encourage anti-Western, anti-reform elements and processes, as in Russia. Some Russians, who know that the United States played a major role in their disastrous economic "reforms," now blame Western aid and advice, according to a U.S. Information Agency survey. Many believe that Washington deliberately set out to destroy their economy. This has had and likely will continue to have negative foreign policy consequences for us.

Fourth, we should help to build administrative and legal infrastructures at the level of regions, cities, and towns. In general, the lower the administrative level of our efforts, the better. Any donor efforts must depend on not just speaking with politicians at the top, but on working with an array of local people and communities. U.S. officials and advisers need to establish contacts with a wide cross-section of the regional and local leadership -- politicians, social and political activists, and community workers. Some aid-funded programs to develop the economy from the bottom up have been useful and have created goodwill.

Fifth, we should be clear-eyed about the real potential of the "independent sector" and nongovernmental organizations (NGOs). Donors often invest high hopes in the ability of NGOs to build democracy. They often assume that NGOs are always similar to their Western counterparts,

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despite the very different conditions under which they developed and operate. However, in eastern Europe, the individuals and groups charged by the West with public outreach, often the most vocal local players, were not always equipped for that role. At least in the early years of the aid effort, NGOs often distributed Western perks to themselves and their peers on the basis of favoritism rather than merit. NGOs can play productive roles, but they are not necessarily prepared to be the building blocks of democracy that donors often envision them to be. Here again, there can be no substitute for donor knowledge of local politics, conditions, and culture. The challenge for the donors is in enlisting the expertise of people sufficiently informed, intuitive, and committed to aid efforts in the new environment and in designing assistance to foster these efforts.

Finally, the United States should embark on a broad-based policy to encourage governance and the rule of law. To foster reform, donors need to work with a broad base of recipients and support structures that all relevant parties can participate in and effectively own, not just one political-economic group or faction. This is, admittedly, not an easy task. As one Western consultant expressed, "One of the hardest parts of Western aid...was figuring out how to build member-owned, member-driven organizations that are neutral third parties and don't have a vested interest in the success of one or several parties...The hardest thing to get people over is political ties...to get leaders of organizations to seek opinion and perform for people who aren't political buddies."³ The major challenge is how to help build bridges in a conflicted environment with historical distrust and many competing groups and few cross-cutting ties among them. Although by no means easy, the task of aid workers is precisely to build contacts and to work with all relevant groups toward the creation of transparent non-exclusive institutions and against the concentration of influence and aid in just a few hands.

Thank you.

NOTES

1. See, for example, Jacek Kalabinski, "The Marriott Brigade in Action," *Gazeta Wyborcza*, June 21, 1991; and "The Misfortune of the Marriott Brigade," *Gazeta Wyborcza*, October 18, 1991.
2. For details, see Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe*, New York, N.Y.: St. Martin's Press, Chapter 4.
3. Cited in Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe*, New York, N.Y.: St. Martin's Press, p. 163.

Testimony of Daniel Serwer**Director, Balkans Initiative, United States Institute of Peace****Before the****House Committee on International Relations****August 4, 1999**

My name is Daniel Serwer. I direct the Balkans Initiative at the U.S. Institute of Peace, which takes no positions on policy issues. The views I express here are my own. But the Institute is well known for its efforts to promote democracy in Serbia, reconciliation in Bosnia and Herzegovina, and a regional approach to the Balkans, one that emphasizes preventive diplomacy and peaceful conflict resolution.

The main U.S. interest in the Balkans is stability. Instability there cannot be ignored, because of its effect on our European Allies and on American public opinion. There are no vital resources at risk, transportation routes through and near the Balkans are not critical to the United States, and no Balkan country threatens U.S. or Allied territory. The United States has nevertheless found itself leading the NATO Alliance twice into air wars in the Balkans, followed by expensive ground interventions.

Why? What we have seen in Bosnia and in Kosovo is the failure of preventive diplomacy. By not undertaking early and relatively cheap efforts to prevent conflict, we have been forced to intervene after conflict had begun, at far greater cost. The exception proves the rule: in Macedonia, early deployment of a small U.N. peacekeeping force and an energetic mission from the Organization for Security and Cooperation in Europe has so far allowed a healthy democracy to develop in that ethnically divided country, preventing a conflict that many thought inevitable.

Are there other predictable conflicts that could break out in the Balkans? "Yes" is my answer. Are we and our Allies doing what is necessary to prevent them? "No"—there are a number of laudable efforts underway, but we need to be doing more.

The main threat to Balkans stability today is the same as ten years ago: the Milosevic regime in Belgrade, which has used conflict against non-Serbs as a means of staying in power. Milosevic will strike again: perhaps in Montenegro, or in Sandjak—an area almost evenly

divided between Muslim and Orthodox Slavs—or in Vojvodina, where there are Hungarian and Croat minorities. In each of these areas, the international community should be undertaking preventive efforts aimed at promoting inter-communal understanding and ensuring that Belgrade cannot exploit ethnic strife.

The regime may also strike next against discontented Serbs, who are today the most serious threat to Milosevic's hold on power. Courageous people have been demonstrating against the regime throughout Serbia since the end of the war, but until last week U.S. assistance for democratization there was frozen. There is still an urgent, immediate need for small amounts of money to support those seeking democratic change in Serbia.

Friday in Sarajevo, the President announced a \$10 million program for Serbian democratization, doubling the pre-war amount. This is a step in the right direction, but still short of the resources the Institute's Balkans Working Group has recommended and far less than the amount Senator Helms has advocated. The President's program is a good first step, but a major increase will be needed next fiscal year.

Conditions in Serbia do not favor the development of democracy. Poverty, disillusion, and resentment could create a volatile situation this winter. I believe it is important for the West to provide humanitarian assistance to Serbs and even to repair essential humanitarian infrastructure, provided the resources and credit cannot be diverted to the Milosevic regime. This would mean providing assistance through opposition controlled municipalities, non-governmental organizations and the Church.

We should also be supporting fragile democracies in Albania and Macedonia that could collapse under pressure of their own internal problems. The main issue in Albania is security. A small NATO presence could go a long way towards helping Albania build up its own security forces. In Macedonia, the issues are both economic and inter-ethnic. Small resources invested now could prevent future interventions a thousand times more costly.

Bosnia and Kosovo will continue to attract the bulk of U.S. and Allied resources. Failure of either intervention would not only destabilize the Balkans but also create problems elsewhere. But in the rush to intervene, we have failed to exploit indigenous capacities. This is especially damaging in Kosovo, where before the war an extensive civil society existed. Indigenous Kosovar institutions should be empowered rather than swamped.

In Bosnia, the missing ingredient is reconciliation, which is impossible so long as indicted war criminals are at large and their associates occupy positions of power. NATO should arrest Radovan Karadzic and any other indictees still at large in Bosnia and Herzegovina. It will

then be possible to mount a serious effort to enable people who want to do so to return to their homes.

No less important is the right of Serbs to return home, especially in Croatia and Kosovo. Neither should enjoy the full benefits the United States and its Allies have to offer until they are prepared to establish a rule of law that protects all, as well as the open media and transparent election processes required in a democracy.

The President went to Sarajevo last week to launch a Stability Pact that should give a sense of direction and commitment to the Allies and the democracies in the region. That pact must now fill its political, economic and security baskets—empty promises will not do the trick. It is especially important that the European Union accelerate its opening towards the Balkans, forming a customs union and encouraging monetary stabilization through the use of the euro. Europe, because of its proximity, is vulnerable to Balkans instability and should bear most of the burden of bringing peace and prosperity to the region.

But without U.S. commitment and leadership, the task will not get done. As we enter the 21st century, the Balkans must not be allowed to generate the kinds of conflict and instability that have marred their history in the 20th.

Questions for the Record submitted to E. Anthony Wayne
By the House International Relations Committee
August 4, 1999 Hearing
"The Balkans: What Are U.S. Interests and Goals of U.S. Engagement"

Question:

1. The United States has appropriated about \$400 million annually in recent years for our "SEED Act" aid program, the major US aid program for East Europe.. Combined with other forms of aid, US assistance to the entire region has probably exceeded \$500 million annually. What will the Administration now seek for aid to Southeast Europe in Fiscal Year 2000? What will the Administration commit to provide annually in such aid to Southeast Europe under a regional assistance initiative? Will that amount be larger than the current aid provided annually to Eastern Europe. If so, by how much?

Answer:

The Congress appropriated \$430 million for the countries of Central and East Europe in Fiscal Year 1999 in the Support for East European Democracy (SEED) Act account. As part of the Supplemental Appropriation signed by the President on May 24, 1999, the Congress appropriated another \$120 million for a total of \$550 million in SEED.

The President's FY 2000 SEED request is \$393 million. Since that budget was prepared at the end of last year, additional needs for assistance have arisen in Southeast Europe for Kosovo, democratization in Serbia, and stabilization of the other countries of the region. The Administration is currently considering these additional needs and will consult with the Congress once it has determined what additional resources, if any, might be needed to address them.

2. What do you estimate will be the cost to the US for peacekeeping in the Bosnia and Kosovo for the coming Fiscal Year 2000? Will peacekeeping costs be part of our contribution to the regional assistance initiative now being organized for Southeastern Europe?

Answer:

The Administration's request for Bosnia (including Eastern Slavonia) for Peacekeeping Operations (PKO) is \$36 million for FY 2000. The FY 2000 PKO request for Kosovo is \$43 million. The FY 2000 request for the Contributions for International Peacekeeping Activities (CIPA) account for Bosnia is \$45 million. No CIPA funding was included for Kosovo, but the Administration is taking a look at possible additional CIPA needs which have arisen since the FY 2000 budget request was finalized. We will brief the Congress once a determination on this has been made.

These types of costs are not expected to be included as part of any regional assistance initiatives of the Stability Pact for Southeast Europe.

Q3. Have the European Union and individual European donor-states met their pledged aid commitments to Bosnia fully and in a timely manner?

A3. European Union aid pledges totaled \$1.35 billion during 1996-99, while bilateral European aid pledges also totaled \$1.35 billion. Together, European aid pledges amounted to 50 percent of the \$5.3 billion Priority Reconstruction program coordinated by the World Bank (U.S. share: 18.6 percent). European bilateral aid has generally been disbursed as rapidly as U.S. assistance. Cumbersome EU bureaucracy has resulted in slower disbursements than by bilateral donors -- disbursements totaled 50 percent of pledges as of December 1998. The European Commission has recognized this problem and has proposed to the European Parliament the establishment of a Reconstruction Agency that would help streamline implementation.

#4 What is the legal and international status of Kosovo? Is it part of the Republic of Serbia, independent, or an international protectorate?

A. Kosovo is a province of the former Federal Republic of Yugoslavia and a subdivision of its constituent, the Republic of Serbia. Since the passage of UNSC Resolution 1244 on June 10, 1999, the only legal authority in Kosovo is the United Nations Interim Mission (UNMIK).

Question #5.

According to a recent news article, government officials in places like Armenia and Azerbaijan are watching developments with regard to the status of Kosovo - given their dispute over the status of Nagorno-Karabakh. What conclusions should separatist movements such as that in N-K draw from the current status of the region of Kosovo?

Answer

Various independence movements are attempting to use Kosovo to bolster their own attempts to assert independence. However, each such conflict presents a unique mix of competing principles and interests, and it would be a mistake to draw lessons of Kosovo without a full understanding of its uniqueness.

The nations of the Caucasus should conclude from Kosovo that the international community, including powers such as the U.S. and Russia, does not endorse independence wrested by force, even from a pariah state. Nor does it countenance ethnic cleansing or the subjugation of one ethnic group by another. The cost in human suffering is very high in all ethnic conflicts; international intervention is neither universally possible nor, when it comes, a substitute for a settlement negotiated among the parties themselves and based on respect for human rights and international principles.

#6. What precisely is the US "exit strategy" for US troops in Kosovo? What exactly is the time frame for our commitment of troops to Kosovo?

A. Our commitment of troops is not to Kosovo, but rather to the UN in response to Security Council Resolution 1244.

Our "exit strategy" is simple: once the working institutions of democratic government are in place and operative, and the residents of Kosovo enjoy security and the freedoms that go with democracy, we can withdraw our troops. Exactly when those conditions will prevail we are unable to say at this time.

#7. Despite the extensive efforts over several years by the European Union, the city of Mostar in Bosnia remains today an ethnically-divided city, where ethnic Croats resist efforts to resettle Muslim Bosnian refugees in their homes. How will the international program in Kosovo produce different results in returning people to their homes in safety despite their ethnic background?

A. The experience of Mostar and, indeed, of the entire Bosnian conflict, provides all of us with valuable insights as we proceed in making Kosovo into a secure and democratic place for its multi-ethnic population. I believe the international community, probably working through the United Nations, will create in Kosovo inter-ethnic and inter-communal bodies to oversee the developments as they take place. The citizens themselves must, in this way, play a prime role in creating their own polity.

8. What is the US position on the KLA's proviso inserted into the undertaking they signed with KFOR that KLA members should be granted preference in being selected as members of the police force that will eventually be formed in Kosovo and on the stipulation that the KLA should be eventually transformed into a force resembling our own National Guard?

Selection for the police academy will continue to be merit-based. All individuals, including former KLA members, will have to meet the UN's selection criteria before being appointed to the police academy. We anticipate that many former KLA members will have the requisite experience and qualifications and will be selected to participate in police academy training.

The Kosovo Protection Corps is not an army or military force of any kind; rather, it is a civilian body whose purpose is protection against civil emergencies.

#9. What KLA influence is there among the ethnic Albanians in Macedonia? Have they established an organization there? To what degree has the desire for separatism spread among the Albanians of Macedonia?

A: There are differing reports on the extent of KLA connections and activities in Macedonia. The KLA clearly was active in Macedonia particularly during the Kosovo conflict. It is probable that some level of activity continued in the wake of the conflict. Certain elements in the Albanian Macedonian community are sympathetic with one of the KLA's key stated goals of independence for Kosovo. However, it would be an exaggeration to equate these sympathizers with KLA activists. Compared with June 1998, polls conducted in Macedonia in April 1999 indicated a significant downward trend in Albanian Macedonians' desire for separatism--whether in the form of increased autonomy, of independence, or of joining Albania. The major ethnic Albanian parties in Macedonia have committed themselves to working within the Macedonian democratic process on achieving their political goals.

10. Question:

What kind of peacekeeping mission has replaced UNPREDEP in Macedonia? What is its mandate and authorization?

A: UNPREDEP terminated without replacement on February 28, 1999. In part due to our efforts over the past seven years, Macedonia is far more secure today than it was in 1992. NATO's deployment within the context of our Kosovo efforts fulfills much of the deterrent value of UNPREDEP. Additionally, under our Foreign Military Financing (FMF) program, USG funding has supported Macedonian efforts to develop a basic border patrol and defense capability.

Question:

11. Can you evaluate our success or lack thereof in establishing the so-called national institutions for Bosnia and Herzegovina provided for in the Dayton Agreement? Which group is thwarting efforts to make the national institutions work?

Answer:

Guided by the international community, a basic structure is now in place. Dayton-mandated central institutions have been created. These include a Joint Presidency, Council of Ministers, Parliamentary Assembly, Central Bank, Constitutional Court, and a Standing Committee on Military Matters. A national currency, the Convertible Mark, is widely accepted. Citizenship and passport laws, as well as a common license plate, have been adopted. A Bosnian flag flies over its embassies and the common institutions. Priority must now be given to establishing a State-level Treasury and a State Border Service -- which will be the first armed law enforcement body under the control of the State.

While their effectiveness can and must be improved, all of the common institutions meet regularly and take decisions affecting all of the people of Bosnia. The leaders of Bosnia have begun the process of integrating their country into Europe. The success of the Stability Pact Summit was an expression of this desire and showed the ability of the Bosnian joint institutions to work together for the common good. Talks are ongoing regarding BiH's entry into the Council of Europe. The Bosnians are aware that they must fulfill certain conditions to achieve their objectives with respect to integration into Europe, and we expect joint institutions to play a central role in this process.

More needs to be done. Progress has been impeded by hard-line elements who have tried to block the growth of BiH institutions. The Brcko decision led to a boycott (now over) by Serbs of all common institutions. The arrest of General Talic temporarily slowed the work of the Standing Committee on Military Matters (SCMM). The assassination of Deputy Federation Minister of Interior Leutar caused some discomfort among many Croats about their participation in BiH institutions. We continue to urge the three ethnic groups to build a viable central government that binds the two entities together, as was agreed in Dayton: One country consisting of two democratic, multiethnic entities. Bosnian leaders must act so that they represent the interests of all Bosnians and not just a particular ethnic group.

Q 12. How much private investment has occurred in Bosnia - both domestic and foreign - since Dayton? Are we satisfied with the level of private investment? What obstacles remain before Bosnia can attract greater levels of investment?

A 12. Private investment in Bosnia and Herzegovina (BiH) is extremely limited. The BiH Chamber of Economy estimates that approximately 1600 foreign firms have registered since 1996. Few have made sizeable investments. According to the World Bank and others, the equity capital of new enterprises approaches \$162 million. At least \$80 million of that is foreign. The present rate of private investment is unsatisfactory; it will not provide sufficient fuel for the self-sustaining economy that we seek. Remaining obstacles to increased investment include: the lack of a viable commercial banking sector, lingering control over transactions accounting by the socialist-era payments bureaus, the slow process of privatization, excess business regulation and high taxes, wide-spread corruption and the absence of an effective judiciary to enforce the rule of law.

Important progress is being made, however. Major reforms in administrative and legal structures have passed local legislatures or been imposed successfully by the High Representative. BiH now has a solvent, well-managed and effective Central Bank. It is a powerful stabilizing force in the economy. The Convertible Mark has been accepted as the country's currency of account throughout BiH. Banking supervision organizations now exist in both the Federation and the RS and they will increasingly contribute to uncovering bad lending practices and illicit transactions.

The payments bureaus are on the way out in Bosnia and Herzegovina (they still operate in Slovenia and Croatia). Our timetable for their dissolution has moved forward two years to yearend 2000. Presently, large chunks of the Bureaus' broad powers are being spun off to commercial enterprises under a plan devised by the U.S., the OHR, the World Bank and IMF.

Privatization remains problematic but the trends are, we believe, correct. Small-scale privatization is underway in both entities. Large-scale turnovers are planned for early 2000.

Action against public corruption is starting. BiH authorities have launched over a dozen major economic crime and corruption cases. Hundreds of potential defendants, ranging from bagmen to senior canton-level government officials, have been implicated. Some have resigned already. Political leaders, however, who rely on diversion of resources to sustain party operations, have yet to embrace anti-corruption as a driving force for consolidation of Bosnia's still fragile political system.

Q 13. What is the status of the U.S.-led Train and Equip Program for the Army of the Muslim-Croat Federation? What are the major problems that remain in creating a truly integrated Muslim-Croat fighting force? How much longer do we expect the program to run?

A 13. The U.S.-led, internationally-funded Train and Equip Program is entering its fourth year. The program has made great strides in achieving its key objectives: to create a Federation military capable of deterring war and preserving a secure environment; to strengthen Federation institutions; to remove extremist foreign influences; and to ensure compliance with Dayton and arms control agreements.

The framework for the integrated Ministry of Defense, Joint Command, Logistics Command, and Training Command have been established. The Federation Army's Rapid Reaction Force, its artillery division, and its helicopter transport unit were established as integrated units. The principal challenge is to integrate fully and functionally these organizations and units under a single, unified chain of command. In order to achieve this objective, we are working closely with the Federation Ministry of Defense and Joint Staff and the program's contract trainer, MPRI, to complete an ambitious work program of critical integration actions before the end of this calendar year. The most significant actions the Federation MoD must complete by January 1, 2000 are: to approve and implement a transparent defense planning and budgeting system; to establish a single, functioning chain of command; to consolidate fully integrated

logistics and training systems; and to approve the Federation Army force structure and the General Defense Plan (taking into account recent Federation commitments to reduce its military budget and personnel).

The duration of the Train and Equip Program will depend on several factors: progress made on integration of the force during the coming year; the consolidation of those gains; and the availability of resources (principally Foreign Military Sales Financing) to sustain and maintain the U.S. equipment provided to the Federation. We expect that the Federation will require continued international support through the Train and Equip Program, at a reduced level of funding and effort, through CY 2001.

Q 14. Have the local, entity, and national authorities accepted and implemented the decision of the Brcko Arbitration Panel? What kind of international presence will be required in Brcko, and for how long, to ensure that the decision is implemented fully?

A: The authorities in Bosnia have accepted the Arbitration panel's Final Award with little dissent. There are still many details of implementation to be worked out, but the residents of Brcko, as well as Entity authorities, have begun to engage in the debate over the shape of the municipal administration to be put in place.

The Final Award states that all parties are in "agreement that the international supervisory regime must continue in force indefinitely in the Brcko area" in order to ensure that necessary changes be brought about in an orderly fashion. It is the Supervisor who is tasked by the Award with the responsibility for scheduling and implementing the changes to the status of the District outlined in the Award. And it is up to the Supervisor to determine the point at which the pre-war Brcko municipality is to become a unified, self-governing district.

Implementation of the Award has begun, but it is a process rather than an end point. The Supervisor has put together a plan for the district's future political, economic, educational, and law-enforcement bodies, but it is difficult to predict how long

it will take to accomplish these changes. To some extent, that length of time will depend on the resources made available.

#15. What is the security situation and the threat from international terrorism for Americans in Albania, and how does this affect our ability to carry on our assistance program there?

Answer

We remain quite concerned by the probable presence of international terrorist elements in Albania alongside a high rate of ordinary crime. Accordingly, Embassy Tirana has one of the highest combined threat ratings in the world. For Americans considering travel to Albania, our current warning urges them to exert extreme caution and not to travel outside the capital. Although we are able to implement a wide-ranging assistance program, focused in central Albania, the threat level impedes our ability to travel widely throughout the country.

Q16. Given the massive level of crime and corruption throughout Albania, what levels of international assistance can we realistically expect Albania to be able to absorb, and how should we prioritize our assistance program for Albania?

A. Widespread unrest due to the collapse of Albania's pyramid schemes in 1997, political unrest and a change of government in 1998, and the Kosovo conflict in 1999 have all posed major challenges to Albania's internal security. The good news is that despite these obstacles, Albania has actually achieved concrete economic progress, thanks to a concerted international effort to coordinate assistance led by the OSCE and World Bank.

Despite absorbing a refugee flow during the Kosovo crisis which increased Albania's population by 15 percent, the government of Albania maintained fiscal and monetary discipline in line with IMF recommendations. GDP was up 8 percent in 1998; inflation was in check at 8.7 percent; and the exchange rate is stable. The government's tight control over public spending; an increase in the VAT; and improvement in customs and tax administration, led to a decline in the fiscal deficit from 12.7 percent of GDP to 10.7 percent in 1998. Albania has enacted a new Constitution and is expected to accede to the WTO in November.

International assistance has played a key role in this economic and political progress. Public corruption, weak government, and ineffective law enforcement threaten to undo Albania's progress.

The United States' first assistance priority is to help Albania restore public security and the rule-of-law. Programs will train Albanian judges, prosecutors, and national police; assist in implementation of Albania's new customs code; provide legal assistance to revise civil and criminal codes; and assist NGOs to attack corruption through government monitoring, awareness building, and cooperation with the private sector. We continue also to provide assistance to promote economic reform by providing technical advisors in many fields. We also continue work to develop sustainable democracy and restructure the social sector.

All U.S. assistance is carefully targeted so that programs have the necessary political and societal support to achieve concrete results. Security problems in 1998 forced the U.S. Embassy draw-down and prevented Americans from carrying out assistance on the ground. The security situation has now improved and all USAID contractors have returned to Albania. We are confident that U.S. SEED assistance to Albania, which increased by \$16.5 million in FY 99 (from \$30 million to \$46.5 million) to help Albania with its refugee crisis and economic troubles stemming from the military conflict in Kosovo, can be realistically absorbed.

#17. What is the influence of the Italian Mafia in Montenegrin politics? What is the extent of corrupt activities at high levels in the Montenegrin government?

A. We have seen Italian press reports alleging that Italian criminal elements operate in Montenegro with complicity of the Montenegrin government. We have no independent confirmation of these reports but are looking into them.

#18. Is there a possibility that civil war might break out within Serbia between elements of the opposition and elements that support the Milosevic regime? If such a civil war broke out, wouldn't it threaten the stability of the entire region? Would the US push for a NATO occupation or peacekeeping force for Serbia to end such a civil war?

Answer:

Milosevic has shown himself capable of using violence to retain power. The opposition is committed to bringing about a democratic government in Belgrade by peaceful means. We do not see an imminent prospect of civil war in Serbia. Were significant violence to occur in Serbia, we would decide in consultation with Congress and our allies on the appropriate response.

Q 19. What kinds of humanitarian programs is the U.S. planning to carry out for the Serbian people that will further the US interest in bringing about democratic reform in Serbia?

A 19. The Department of State's bureau of Population, Refugees, & Migration Affairs is looking at the funding of programs which will assist internally displaced persons within Serbia and Montenegro but which will not benefit either the Milosevic regime or his cronies. Given the absence of U.S. personnel on the ground in Serbia to monitor and evaluate programs, the assistance channels available to us at present are extremely limited. We continue to provide assistance via humanitarian organizations, including the United Nations' High Commissioner for Refugees.

#20. Who in the State Department is the principal officer responsible for our Serb democratization program?

A. Within the State Department, Assistant Secretary for Europe Marc Grossman and Ambassador James Dobbins, who has been designated by the President and the Secretary as Special Advisor for Kosovo and Dayton Implementation, are jointly responsible for the democratization programs.

#21. What is the US view of the status of democratization and economic reforms in Croatia today?

A. More progress is necessary on both counts. We are looking to the upcoming parliamentary elections as an important indication of Croatia's commitment to democratic ideals and practices. We are particularly concerned that all political parties have equal access to electronic media. Though Croatia's economy seems to be stable, we believe serious structural reforms will be necessary to ensure long-term growth and stability

#22. Has Croatia fully lived up to its commitments to ensure that the ethnic Croatian region of Herceg Bosna re-integrates with the central Bosnian government?

A. Recently, Croatia has taken significant steps to meet its responsibilities as a signatory to the Dayton Agreement, including the negotiation and signing of a Special Relations Agreement with the Government of the Federation of Bosnia and Herzegovina early this year, and the conclusion of a Border Agreement between the Republic of Croatia and Bosnia and Herzegovina, which was signed at the Stability Pact Summit in Sarajevo. Multi-ethnic integration and the establishment of strong joint institutions in Bosnia and Herzegovina continue to prove difficult and the constructive participation of Croatia in this process is crucial. We continue to urge them to support international community efforts in Bosnia and Herzegovina.

Question

23. Do you believe that economic reforms in Romania are moving forward at a satisfactory rate?

Answer

Romania is in the third year of recession and its progress in implementing economic reform since 1990 has been slow. The opinion generally expressed by the pro-reform Romanian government is that the rate of economic reform since 1990 has been unsatisfactory. We agree. We have stressed the need to pick up the pace of economic reform in our contacts with Romanian officials.

Despite a difficult economic situation, there have been some favorable developments on reform over the past year. The government privatized the telecommunications monopoly, Romtelecom, in early 1999 -- its largest privatization ever. It has also taken steps to restructure and privatize several state-owned banks. In addition, the GOR continued to make progress in freeing prices, notably in the agricultural sector.

Romania remains in active dialogue on reforms with the IMF, the World Bank, and with us. Bilaterally, we have four

Treasury advisors in Bucharest, offering assistance to the Finance Ministry in areas such as macroeconomic reform and debt. In August, the IMF released the first tranche of a new stand-by agreement with Romania, in spite of the fact that Romania had failed to satisfy some of the prior conditions. Romanian implementation of the IMF program will be critical to getting the economy on a satisfactory track.

#24. What is the US doing to respond to reports of illicit arms traffic crossing Bulgaria by means of "front companies"?

A. We have made known to the GOB our concern over the illegal arms traffic reportedly underway there and have seen some progress in governmental control of illicit arms deals. The government has been moving against corruption generally but, as President Stoyanov has said, more must be done.



NEWS BYTE

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Contact: Rachel Tschida
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Moving Serbia Toward Democracy

Instead of isolating Serbia, the policies of the international community should move the Federal Republic of Yugoslavia (FRY) toward democracy — and quickly. On June 17, 1999, the U.S. Institute of Peace convened a Balkans Working Group to discuss the future of Serbia. Participants recognized that although the initiative for democratization must come from the people and organizations within Serbia, the international community could implement policies that bolster their efforts.

Democratizing Serbia will be harder today than it was before March 24, since the war has damaged the relationship between Serb democrats and the West. Moreover, the West's isolation of the FRY — with the important exceptions of Kosovo and the Republic of Montenegro, whose embrace of democracy is the bright spot in an otherwise bleak picture — will complicate the FRY's necessary move toward democracy and stability.

Isolation Helps the Regime

Regional experts among the working group participants expect isolation of Serbia to be counterproductive to Western interests. The Milosevic regime will use isolation by the West as an excuse to continue repressive emergency decrees, to limit the flow of information, and to encourage extreme nationalism. Furthermore, Serbia faces disastrous economic conditions — \$4 billion in war damages and a 40 percent GDP loss, on top of previous sharp GDP declines since the breakup of the former Yugoslavia. These desperate conditions can not foster democracy; instead they may push Serbs toward nationalist or autocratic leaders.

No Collective Guilt

Accusations of collective guilt against the Serbian people must be avoided. Responsibility for the Kosovo atrocities belongs to the Milosevic regime. However, pro-democracy Serbs must acknowledge the atrocities committed in Kosovo by Yugoslav security, army, and paramilitary forces and should support the United Nations Security Council peace arrangement.

Fair Treatment

The international community must reassure all Yugoslavs that they will be treated equally with regard to humanitarian assistance, human rights protection, and refugee returns. The NATO and UN missions in Kosovo must treat all individuals — regardless of national origin — fairly. They must guarantee protection to those Serbs who wish to remain in Kosovo.

—more—

Possible Next Steps

The Balkans Working Group identified initial steps to revitalize democratic forces within the FRY that do not also strengthen the Milosevic regime. The following options emerged from the discussion:

- Initiate a quiet dialog with members of the Yugoslav Army (VJ) who are prepared to challenge the regime.
- Renew and increase support for democratically oriented non-governmental organizations (NGOs) and encourage the building of democratic institutions.
- Deliver humanitarian assistance through democratic NGOs and opposition-run municipalities.
- Reconstruct infrastructure for humanitarian purposes (water supplies, possibly electricity).
- Exempt from sanctions small investments in the private sector if procedures can be established to channel funds directly to private entrepreneurs (avoiding the regime).
- Increase support for and transmission of RFE/RL's South Slavic service and VOA's Serbian service to provide alternative sources of information.
- Renew and increase support for independent media within the FRY.
- Lift some European travel restrictions that apply to Yugoslavs.
- Offer Yugoslavia membership in the Organization for Security and Cooperation in Europe (OSCE) on a quid pro quo basis: membership for the FRY only if the Yugoslav government holds new elections supervised by the OSCE.

The international community must consider measures such as those outlined above to bridge Serbia's isolation and to push the republic in a democratic direction. The stability of the Balkan region depends on a strong democratic Serbia at its center. Official high-level contacts with the Milosevic regime must be avoided. Selective engagement of and assistance to Serbia must be tied to strict compliance with democratic values

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